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## NEWS: Asil Nadir in Cyprus

## Deadlock on extradition

By Gillian Tett

BRITISH attempts to extradite Mr Asil Nadir, the fugitive Turkish Cypriot businessman, appeared to be in deadlock yesterday, after the Turkish embassy in London indicated that it was unwilling to intervene in the issue.

Mr Tristan Garel-Jones, minister of state for foreign affairs, met the Turkish ambassador, Mr Candemir Onhon, and delivered a "strong message" asking for Turkish help in retrieving Mr Nadir.

But although Mr Onhon promised to convey the request, he refused to promise any help with extradition. A spokesman for the embassy said: "The Turkish Cypriot

republic is an independent republic which is recognised by Turkey but we cannot intervene in their internal affairs."

The Home Office, meanwhile, gave a cool response to a handwritten facsimile message which it had received on Thursday from Mr Nadir offering to return to Britain in exchange for unconditional travel rights. It said: "We will be replying to the fax in a couple of days as a matter of courtesy - that is all". Representatives of six government departments later met at the Serious Fraud Office discuss co-ordination.

The SFO said yesterday the central criminal court had

received a request on behalf of Mr Ramadan Guney, the businessman who provided £1m surety for Mr Nadir, in the week before his departure. Although the application on April 29 would appear to indicate that Mr Guney had been concerned about Mr Nadir's possible departure, the SFO was not informed and the request was later withdrawn.

Mr Rick Shearman, Mr Guney's lawyer, refused to comment on reports that Mr Guney's associates had warned the SFO of Mr Nadir's imminent departure several times last week - and suggested that the SFO was trying to shift the blame for the affair. "The SFO seem to have got themselves into quite enough trouble and

are already trying to put some of the blame his way. We do not want to get involved with any slanging match with the SFO unless they start it, but I do not like the tone of the press release yesterday - the SFO are suggesting that the tip-off was a decoy."

He refused to confirm or deny whether Mr Guney himself had contacted the police. However, he said: "The SFO have spoken to the person who made the tip-off and identified him. But at the moment we do not want to get into a slanging match - we are concerned that if my client embarrasses the authorities, who are already embarrassed anyway, he will lose some credit when he comes before the judge."

## Bail law reform moves closer

By Alison Smith

REFORM of the law on bail moved a step closer to coming into force yesterday, when the House of Commons passed without debate a bill to tighten up the existing arrangements.

Some MPs believe, however, that the questions raised by the flight of Mr Asil Nadir go wider than bail provisions and include the handling of fraud trials. The bill, which will now go to be considered by the House of Lords, was brought forward before Mr Nadir fled to northern Cyprus, but his departure has given it fresh impetus.

The measure, brought forward by Mr Michael Stephen, a Tory backbencher, and supported by the government and by MPs of all parties, would give the prosecution a right of appeal where magistrates grant bail against the advice of the police.

While some MPs believe that it would have made a difference in Mr Nadir's case if the new law had been in force - the Serious Fraud Office had originally objected to his being given bail - others are very doubtful about whether it would have had any impact.

Mr John Watts, the Tory chairman of the cross-party Treasury committee of MPs, believes that the length of time fraud cases can take to come to court is a significant factor, which should be considered.

The prospect of a two- or three-year time lag between charges being brought and the trial beginning, must make it more difficult for magistrates to decide to keep someone remanded in custody rather than on bail.

Recommendations for expediting fraud trials could come from the work already being undertaken by the royal commission on the criminal justice system on the investigation, prosecution and trial procedures of fraud cases. The commission is due to report shortly, but there would almost certainly be a further period of consideration before the government decided how to respond.

## Fugitive took flight via France

THE AIRCRAFT identified by Turkish Cypriot officials as having flown Mr Asil Nadir to Cyprus took off from an aerodrome owned by British Aerospace on Monday afternoon.

Mr Nadir, however, boarded that aircraft in France. It is thought he made his way to France in a light aircraft from Compton Abbas in Dorset, taking advantage of new simplified EC passport procedures.

Compton Abbas aerodrome refused to comment on reports that a Piper PA34 had taken off with Mr Nadir. BAe refused to disclose who owned the aircraft which flew to Cyprus via France but confirmed it had departed from its aerodrome in Hatfield, Hertfordshire.

The company said it had given the Serious Fraud Office full details of the flight plan, but said it did not know who chartered the aircraft.

According to the US Federal Aviation Administration, the Cessna 500 Citation which landed in northern Cyprus is owned by a US company called Flamingo 500, whose president is Mr Michael G. Hamlin. The FAA also said one of the alleged pilots - Mr Alexander Marc Tal - was licensed in the US.

BAe confirmed last night that Mr Hamlin was a regular customer of Hatfield.

## Police believe trial sabotage was planned

By John Mason, Law Courts Correspondent

THE POSSIBILITY that a serious attempt to bribe the judge in charge of the trial of Mr Asil Nadir was ever contemplated was again dismissed yesterday by informed sources.

However, police investigating the original theories of a £3.5m "slush fund" to bribe Mr Justice Tucker believe that some attempt was planned to sabotage the trial of the Polly Peck chairman.

The investigation began last October after police obtained a copy of a document relating to the apparent payment of £3.5m by an acquaintance of Mr Nadir into a bank account. That acquaintance is in northern Cyprus.

Mr Nadir was initially suspected of involvement in the apparent plan. However, although he was re-arrested and questioned about the alleged payment, no evidence linking him to it was ever discovered.

Doubts remain about whether the copy is of a genuine document or a forgery designed to mislead.

Exactly what was intended - and who was behind it - remains unknown. The Metropolitan police said yesterday that the investigation by its

## What the case has cost

● SFO fraud investigation and prosecution. No official figures are available but it is thought the two-year inquiry involved a large team of police and considerable foreign travel. Comparisons with similar investigations would suggest a figure approaching £2m.

● Mr Nadir's legal costs. Fees to date including defence work from Mr Anthony Scrivener, QC and two solicitors' firms, Vizards and Pannone & Partners - which have been largely met from legal aid - are believed to have exceeded £1m.

● Trustee in bankruptcy. Fees from Neil Cooper and staff at accountants Robson Rhodes since Mr Nadir was driven into bankruptcy by a writ from Polly Peck's administrators are believed to exceed £100,000.

● Polly Peck administration. Professional fees and costs from accountants Cooper & Lybrand and Touche Ross and from legal advisers were last reported in October 1992 at £15.6m.

● Money out of pocket to Polly Peck creditors. Proportion of assets in the company likely to be repaid to banks and other creditors are estimated to be up to just 10p in the pound.

International and Organised Crime Squad into the apparent payment is continuing.

However, it is widely believed that the inquiries have effectively finished and that charges are highly unlikely.

Police suspected the payment could have been part of an attempt to influence the course of Mr Nadir's trial, though they dismiss any suggestion that the apparent payment was to be used to bribe Mr Justice Tucker.

He was never subject to any

illegal approach and has remained the trial judge throughout.

It is generally believed that the copy of the document referring to the payment was intended to destabilise Mr Nadir's trial in some way - but how, to what purpose and to whose benefit remains uncertain.

Had such allegations surfaced once Mr Nadir's trial had started, the legal proceedings would undoubtedly be thrown into considerable confusion.

## Admiration and concern for a compatriot's acts

THEY have not yet created a proverb about him. But in the smoke-filled cafes frequented by the Turkish Cypriot community in north London the verdict yesterday on Mr Asil Nadir was tinged with more than a touch of poetry - and paradox.

"He is a so-so hero - we admire what he has done, but also fear it," said Ahmet, a waiter in a Dalston cafe which serves the large Turkish Cypriot community. "We already face a lot of prejudice. But now people will say: 'You're from the place that that fellow Nadir is from, the place of crooks.' And who can blame them?"

The reasons for the fear among Cypriot businessmen are clear. An estimated 100,000 Turkish Cypriots now live in Britain, owning scores of small businesses, restaurants and shops.

Although yesterday most were keen to distance themselves from Mr Nadir, they acknowledged that the media hype that has surrounded his departure could make an already difficult business climate even harder.

North London's Turkish Cypriot community talks about Asil Nadir to Gillian Tett

"This will certainly affect the honest Cypriot businessmen," said Mr Hussein Enver, manager of a small printing company. "We already face a lot of prejudice. But now people will say: 'You're from the place that that fellow Nadir is from, the place of crooks.' And who can blame them?"

Part of the problem they face is, as Mr Enver points out, the Cypriot community's reputation for concentrating in marginal businesses. "We are like the Jews were a generation ago - we're doing the textiles, rag trade and other small businesses," he said.

But in spite of the concerns, Mr Nadir's support among his

compatriots yesterday was undeniable. "He is more popular now than ever before," said Mustafa, a retired shopkeeper, as he sat drinking Turkish coffee in a cafe.

His neighbour, Hasan, a self-employed accountant added: "We are very angry about the lack of justice. We think he has



Cafe owner Osman Kemal: "He is a good man. And you can't blame the Turks for what has happened."

been picked on because he is a foreigner. So we think he was absolutely right to do what he did."

Meanwhile, Mr Osman Kemal, owner of the cafe, said: "He has employed a lot of people - he is a good man. And you can't blame the Turks for what has happened."

## 'I had to have the freedom to move, to talk'

Extracts from Mr Asil Nadir's statement yesterday:

"I do assure you it wasn't an easy decision to leave Great Britain, knowing as I do the consequences of jumping bail. But the chances of me receiving a fair trial were receding by the day. Ladies and gentlemen, nobody can live without hope. Sadly, the authorities had during the past 24 years demolished my hope of receiving a fair trial. I had to have freedom to move, to think, to talk. They had killed that, and so I came here so that I could at long last obtain for myself the basic human right to defend myself."

Polly Peck shares were hit severely after the Serious Fraud Office's initial raid. In September 1990, on South Audley Management, the family company, "it was evident that the authorities were feeding incorrect material to the media. Quite frankly, if I was a journalist I would have used that material too. But it was lies. The Stock Exchange and the company's brokers were obstructive in not suspending the shares when I requested it."

Polly Peck's fugitive chairman explains why he jumped bail and protests his innocence of fraud

It is a scandal that when I requested the DTI to conduct an inquiry, they refused unless I paid £1m.

"The President and Government of the Republic of Turkey asked Her Majesty's Government to step in. The Foreign Office sent a curt message back to the President at 4pm on a Saturday demanding that £100m be deposited by 10am on Monday, an impossible request."

"I travelled many thousands of miles trying to shore up confidence in Polly Peck. In December 1990 I was in Turkey and Cyprus assisting the administrators and was advised that to return to Great Britain would lead to my arrest. I actually thought in a strange way that this would be a good thing because I had great faith in British justice and wanted the whole ghastly business to be cleared up."

His returning aircraft was diverted to Heathrow. "We were greeted... by 60 fully

armed police complete with flak jackets and dogs. They dramatically stormed the plane and told me, as they say in the movies, to freeze!"

After two days in custody, he was charged with theft and false accounting. "Bail was set at a UK record of £3.5m, but I wasn't allowed to contact any of my family or anybody who had the remotest connection with me commercially, which amounts to approximately 175,000 persons."

His lawyers arranged for a firm of accountants to look at the books of Unipak, a Polly Peck subsidiary in northern Cyprus. "All along the investigators had insisted that there were no assets in either of these countries. Well, ladies and gentlemen, we are now all gathered in a phantom hotel. According to the authorities, it does not exist. I am glad to say that Binder Hamlyn's report confirmed that monies allegedly stolen by myself were accounted for in the books

here. The SFO... indicated that the books must have been cooked. My lawyers then chose forensic experts from the SFO's own approved list to investigate this. Their report verified that the books had not been tampered with."

"What has been most alarming has been the tactics of the SFO and other authorities. First of all, my private and confidential mail to and from my lawyers has been opened. It was a criminal act and confirmed in court."

The SFO seemed to be desperate "so on to the scene of a Public Prosecution. He walks into court uninvited and tells the judge that he is under investigation for conspiring to pervert the course of justice... The charade continued a few days later in a court the size of a broom cupboard... This hearing involved a high court judge continually protesting his innocence. It was pure farce."

"On April 6 there was another knock on my door. I walked a representative of the trustees in bankruptcy, escorted by the Metropolitan Police. They took every single document relating to my defence... This action demonstrated to me that there was absolutely no possibility of getting a fair trial because all the skulduggery which I have described to you has been cloaked in secrecy, either by threats of contempt of court or by hearings in camera."

"There are many points that I have left out. I shall reveal all in due course. I assure you that there is much more to the whole of this persecution than meets the eye. We are now putting together certain evidence which at a later date will be placed before you. In conclusion, I would like to quote a leader comment in the Financial Times. The FT remarked that so long as it takes several years to bring such cases to court, little can be done to prevent defendants rebelling, unless - and I quote - 'society is willing to ride roughshod over their human rights.' Thank you very much."

## SHANGHAI TYRE &amp; RUBBER CO., LTD.

(Incorporated in the People's Republic of China ("PRC"))

## RESULTS

The Board of Directors of Shanghai Tyre & Rubber Co., Ltd. ("the Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended December 31, 1992 in conformity with International Accounting Standards ("IAS").

	Renminbi ("RMB")	1992	1991
	(Expressed in RMB'000 except for earnings per share)		
Sales	1,622,461	1,283,399	
Net profit before taxation and minority interests, including net foreign exchange gain of RMB 153,540,000 (1991 - net foreign exchange loss of RMB 2,143,000) (Note 4)	344,537	129,323	
Taxation - current (Note 2)	(53,043)	(35,621)	
- deferred (Note 2)	(18,400)	-	
Net profit after taxation	273,094	93,702	
Minority interests	(2,558)	(4,884)	
Net profit after taxation and minority interests	270,536	88,818	
Earnings per share (Note 3)	RMB 0.529		

## NOTES

1. The above consolidated results were prepared in conformity with IAS for information of B shareholders only. The results differ from those of the statutory accounts which were prepared in accordance with applicable accounting principles and financial regulations in the PRC (Accounting Regulations of the PRC for Joint Stock Limited Companies). Net profit after taxation and minority interests per the statutory accounts was RMB 224,586,000 (1991 - RMB 96,269,000).

2. For 1991, the Company was subject to Enterprise Income Tax ("EIT") at 27% of assessable profits. For 1992, it was subject to EIT at 27% for the period from January 1, 1992 to June 30, 1992 and at a reduced rate of 15% for the period from July 1, 1992 to December 31, 1992.

Deferred taxation was provided for using the liability method in respect of tax effects arising from material timing differences which are expected to crystallize in the foreseeable future.

Taxation on profits of subsidiaries was calculated at the applicable rates in accordance with the relevant tax regulations in the PRC.

3. The calculation of earnings per share is based on the net profit after taxation and minority interests for the year of RMB 270,536,000 and the weighted average of 511,402,660 shares of the Company in issue during the year, assuming that the state-owned A shares were in issue for the entire year.

4. During August 1992, B shares were subscribed at a rate of US\$ 1 = RMB 6.6272. As of December 31, 1992, the exchange rate of RMB as quoted in the Shanghai Foreign Exchange Transaction Centre devalued to US\$ 1 = RMB 7.706. Consequently, substantially all of the exchange gain, net, in 1992 arose from the revaluation of unutilized B share proceeds and net monetary foreign currency assets as of December 31, 1992. Exchange loss, net, in 1991 arose from normal business transactions.

5. The Group's net foreign currency monetary assets amounted to approximately US\$ 105 million as of December 31, 1992. During the period from December 31, 1992 to March 30, 1993, the exchange rate of RMB as quoted in the Shanghai Foreign Exchange Transaction Centre further devalued from US\$ 1 = RMB 7.706 to US\$ 1 = RMB 8.145.

## FINAL DIVIDEND

Details of the final dividend will be announced in the Notice of the Company's Annual General Meeting.

## ANNUAL REPORT

The Company's 1992 annual report incorporating details of business review and prospects of the Company will be despatched to the members as soon as practicable.

Shanghai

The People's Republic of China,  
May 6, 1993

By order of the Board  
Secretary  
Xu Yue Cun



Shareholders in Royal Nedlloyd Group N.V. and other entitled parties are invited to attend the annual General meeting of Shareholders which will take place on Wednesday 26 May 1993 at 14:00 hours in the Rotterdam Hall of Beurs-World Trade Center, Beursplein 37 in Rotterdam.

The agenda for the meeting and the annual report of 1992 are available for inspection and perusal at the office of the Company and at the offices named hereafter, where a copy can be obtained free of charge.

## Registration

To obtain entry to the meeting and to be able to exercise the rights attached to bearer shares, holders of bearer shares must have deposited their shares at the latest on Wednesday 19 May 1993 at the office of the Company, or at the Main Office of one of the following banks:

ABN AMRO Bank N.V., Herengracht 597, 1017 CE AMSTERDAM  
Mees-Pierson N.V., Rokin 55, 1012 KK AMSTERDAM  
Kas-Associatie N.V., Spuistraat 172, 1012 VT AMSTERDAM  
Commerzbank AG, Neue Mainzerstrasse 32, 6000 FRANKFURT AM MAIN.

The certificate of deposit from the bank will serve as admission card to the meeting.

To obtain entry to the meeting and to be able to exercise the rights attached to registered shares, holders of registered shares must have given written notice of such intention at the latest on Wednesday 19 May 1993 to the Executive Board (Secretariat Executive Board, Boompjes 40, 3011 XB Rotterdam, The Netherlands) who will then issue an admission card to the meeting.

## Proxies

Shareholders wishing to be represented at the meeting through a written proxy are being advised that their form of proxy must have been signed by the rightful owner of the relevant share(s). In addition, the original form of proxy must have been received in the office of the Company not later than on Wednesday 19 May 1993 (Secretariat Executive Board, Boompjes 40, 3011 XB Rotterdam, The Netherlands). When registering, the holder of bearer shares will receive a form of proxy from the bank; the holder of registered shares will receive a form of proxy from the Executive Board.

Rotterdam, 8 May 1993

Executive Board



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## NEWS: UK

## Ice-cream market to be probed

By Guy de Jonquieres, Consumer Industries Editor

COMPETITION in the £200m-a-year ice-cream market is to be investigated by the Monopolies and Mergers Commission, the Office of Fair Trading announced yesterday.

The commission will examine the widespread practice among manufacturers of supplying freezer cabinets free of charge to small retail outlets, on condition that the cabinets are not used to stock competitors' products.

Sir Bryan Carsberg, director-general of fair trading, said he was concerned that the practice, known as freezer exclusivity, prevented smaller companies from entering the market. Consumers would benefit from wider choice and keener price competition if retailers were free to stock rival products in the same cabinets.

The inquiry is a victory for Mars, the US-owned food manufacturer, which has repeatedly challenged Unilever's domination of the European ice-cream market in Brussels and in national courts.

Mars, which began making ice-cream versions of its chocolate bars in 1989, has about 10

per cent of UK impulse sales, which are the fastest-growing part of the market.

Mars welcomed the inquiry. But Wall's said it was "surprised and disappointed" by the OFT's decision after a report by the commission in 1979 had cleared the practice of freezer exclusivity.

Wall's said six new competitors had entered the UK market in the past five years. Its own growth since 1979 had been due to new products, advertising and service to retailers, rather than to freezer exclusivity, which was a "not unreasonable" practice.

According to the OFT, about 90,000 retail outlets have freezer cabinets, of which 42,000 are supplied by Wall's. The earlier commission report said competition would benefit if more retailers had their own freezers.

The legal battle over ice-cream broke out three years ago, when Unilever obtained a court injunction in Ireland prohibiting Mars products from being stocked in Unilever freezers. Mars appealed against the ruling but lost.

Under pressure from Mars, however, the European Commission last year suspended arrangements which Unilever and Schöller Lebensmittel, a large German ice-cream manufacturer, used to exclude competitors from many retail outlets.

The EC also expressed doubts about the legality of freezer exclusivity, which it is still investigating.

## Carbon emissions to rise after 2000

By Bronwen Maddox, Environment Correspondent

MR MICHAEL Howard, environment secretary, said yesterday the UK's emissions of carbon dioxide were likely to rise after 2000 even if the country met international targets on combatting global warming.

The UK committed itself at the Rio Earth Summit to bringing emissions in 2000 back to 1990 levels, a target normally referred to as "stabilisation". But that commitment did not mean that emissions would not rise again after 2000, Mr Howard said.

He told the Department of the Environment's conference on the UK's plan for meeting the Rio targets: "We will look in 1996 at emissions beyond 2000 in the light of the scientific knowledge at that point - that review process is part of the Rio convention."

Mr Chris Smith, shadow environment spokesman, called Mr Howard a "flat-earther" for "disputing the scientific evidence on global warming" and for refusing to give any commitment, even in principle, to reduce emissions beyond the year 2000.

Mr Howard told the conference that the public sector would not escape pressures for energy efficiency. He said the government had set itself the target of saving 15 per cent in energy consumption - about 3 per cent a year - between 1990-91 and 1995-96.

"Our targets should take energy use by central government down to well below 80 per cent of 1990 levels by 2000," he said.

## Futures broker put into liquidation

By Sara Webb

DAVID COAKLEY, a London-based futures and options broker, was placed in liquidation yesterday.

Mr Keith Goodman, a partner in Leonard Curtis, the chartered accountants and insolvency experts, was appointed liquidator.

A spokeswoman for Leonard Curtis said clients were likely to get more than 90 per cent of their funds back.

£249,034 from clients' funds but pointed out that private clients could claim the balance of their funds from the Investors' Compensation Scheme. The SFA banned David Coakley Ltd from conducting any kind of investment business in December, apart from executing only business for non-private clients, business for clients whose investments were managed by commodity trading advisers, as well as transactions necessary to close out other client positions.

● Lamont faces further pressure ● Backbenchers hit out at government 'incompetence' ● Newspapers join attack

## Losers face the Surrey disaster

By Richard Evans

BRIGHT SUNSHINE did nothing to perk up Tory spirits at Surrey County Hall in Kingston upon Thames yesterday.

The local Conservative leadership had been prepared to lose some seats to the Liberal Democrats, but to lose overall control after more than a century of Tory domination was a nightmare they had not contemplated.

Mr Michael Gammon, Conservative group leader, admitted he was still trying to come to terms with the result. "My first reaction was one of sheer disbelief at what was happening, and the consequences could take some time to work through."

Other party leaders were equally taken aback by the scale of the Tory losses and Liberal Democrat gains. The Conservatives now have 24 seats (down from 55), Liberal Democrats 29 (10), Labour 5 (7), Residents 3 (2) and Independent 1 (2). All parties meet early next week to plan tactics and to start bargaining on power sharing.

Surrey is in uncharted territory. Although Mr Derek Thomas, chief executive, had preliminary meetings with some party leaders yesterday, there is no clear sign of how things might work out. "Provided there is goodwill and a wish to make it work, then we should find solutions," he said.

The Conservatives could retain power with the help of the Residents and Independent, but these could provide shaky support.

Mr Gammon, Mrs Dorothy Buckrell, leader of the Liberal Democrat group, and Dr Joe Bullock, a leading Labour councillor, agreed there was likely to be a pragmatic approach.

Mrs Buckrell said: "We want to make it work. We haven't got control, but we now have a lot of influences and we will use it."

Relations between Labour and the Liberal Democrats have been too strained in the past for anything approaching a deal to be considered, but the traditionalist leader of the Labour group was defeated on Thursday and much will depend on whoever is elected next week to succeed him. Neither party intends to enter into a formal pact.

Nor do they expect sharp changes in policy, partly because the Conservatives remain a powerful force, and partly because of stringent budgetary restrictions. Surrey is very near its spending limit, and if more money is to be spent on some services it will have to be cut back on others. But there are bound to be changes in emphasis.

Dr Bullock said Labour would set priorities, including more help for nursery education, for children at risk and for social services, and would push hard for these.

Labour and the Liberal Democrats see common ground developing over education, social services and environmental issues but there will inevitably be problems. The obvious candidate for cuts is education, where spending is substantially higher than the government targets, but none of the parties want to see this curtailed.

Power sharing will be a unique experience for Surrey and it will take time for the participants to learn the rules of the game.

## Tory MPs call for cabinet reshuffle

By Ralph Atkins

TORY MPs' alarm at the scale of Thursday's election losses ran deep yesterday as appeals for unity and resolve were drowned by calls for a cabinet reshuffle and firm leadership.

Mr Norman Lamont, chancellor, faced the threat of a renewed campaign of vilification, presaging fresh uncertainty surrounding his position.

One minister agreed there was "strong pressure" within the party on the chancellor. "He feels that he has been the lightning conductor for the government's unpopularity," an aide to Mr Lamont admitted.

Mr John Watts, Tory chairman of the Commons Treasury committee, defended Mr Lamont, saying: "I wouldn't wish to shoot the pianist now that he's playing the right tune. If we start to behave like the Labour party and squabble among ourselves, public confidence is sapped."

Some saw little alternative to pressing on with existing policies and personalities in the belief Conservatives' luck will turn - but even here there was a sense of stunned confusion. "People had underestimated the difficulty of governing when you don't have a Commons' majority on the issue which is the main headline of the day - Maastricht," said Sir Terence Higgins, Conservative MP for Worthing.

But privately Tory MPs listed a series of presentational blunders (coal, VAT on fuel, privatisation of rural post

offices) and failures to consult properly (schools' testing). The most vociferous criticism came from known dissenters and Maastricht rebels. "We are in deep trouble and until we listen to our natural supporters we won't get out of it," said Sir George Gardner, Tory MP for Reigate.

Lord Tebbit, former party chairman, said: "Newbury was a warning to the government that it could lose the affection and the trust of the people of this country unless in some way it changes course."

But even Sir Marcus Fox, chairman of the Tory backbench 1922 committee refused to back Mr Lamont without qualification: "Nothing will be ruled out in terms of getting out of the mess," he said. "It would not be very clever to

just dismiss what has taken place as if somehow we can just soldier on."

A normally loyal home counties' MP was scathing: "People are absolutely fed up to the back teeth with what they see as incompetence, indecision and drift in the government."

Mr Lamont is regarded with something pretty close to contempt by rock solid Tories and there is a great deal of personal criticism of the prime minister himself.

Mr Lamont yesterday shrugged off the government's electoral reverses and responded with a robust commitment of his determination to ensure sustained economic recovery, Paul Cheeswright writes.

Speaking to the Birmingham Chamber of Commerce, he

acknowledged that the Newbury by-election and county council election results were "extremely disappointing and we must take them seriously". But he sought to switch the political and economic debate on to a longer-term basis.

"How do we ensure that Britain's scientific excellence is translated into commercial achievement? How can we train enough young people in the technological and business skills we need to win markets abroad?" he asked. These are some of the questions for debate, he suggested.

He inferred a degree of inevitability about the electoral losses. It had been a hard fight to reduce inflation. "It's been a long struggle and it doesn't make us very popular," he said.



Liberal Democrat leader Paddy Ashdown with elated victor David Bendeel in Newbury yesterday after routing the Conservatives

## Warnings and retribution from Conservative press

By Raymond Snoddy

CONSERVATIVE-supporting newspapers today dispense warnings and retribution for what has been called the catastrophe at Newbury and the slaughter in the Tory shires.

In the pages of his traditional supporters Mr John Major, the prime minister, fresh from his "bloody nose" at the hands of the electorate, can read calls for urgent reshuffles and the head of Mr Norman Lamont, the chancellor. Some, however, are more strident than others.

The Sun says: "Those results reflect a national disillusionment with politics amounting almost to disgust. And the source of that dangerous disaffection lies with one man. The chancellor, Norman Lamont." "The chancellor boasts that he regrets nothing and had

even the impertinence to suggest that the ERM wasn't such a bad thing after all."

"The man is so oily he could give lessons to Castrol," the Tory tabloid says.

Over at The Daily Telegraph the words are not quite so blunt but the message is not very different. "Fiascoes such as the coal closures, the Matrix Churchill affair, school testing, leasehold reform and the Criminal Justice Act all added up to 'a grisly political indictment'."

If Mr Major's administration, the Telegraph says, "is to run its full term and win a further general election, it will have to do a great deal better than it has managed in the past 13 months, and somewhere find new front bench faces that look a great deal more convinc-

ing than some of the present incumbents."

The Daily Express, which calls the results "little short of a calamity for John Major and his government" does not itself call for anybody's head and says that senior Tories are already lining up to demand that of Norman Lamont and a much bigger reshuffle than originally planned.

Above all the green shoots must be nurtured. The Evening Standard warned of a sense of weariness among government supporters and a disillusionment with the government's tired policies and tired ministers.

"For this reason, Mr Major must consider whether the time isn't right for a cabinet reshuffle, for changing faces. He's got to be a bit less managerial, a bit more political," the Standard argues.

## COUNCILS WITH CHANGE IN CONTROL

ENGLAND	
Bedfordshire	NOC (Lab) - Lab overtakes Con
Berkshire	NOC (LD) - LD overtakes Con
Cambridgeshire	LD - gain from NOC
Derbyshire	NOC (LD) - gain from Con
Devon	NOC (LD) - gain from Con
East Sussex	NOC (LD) - gain from Con
Essex	NOC (LD) - gain from Con
Hampshire	NOC (LD) - gain from Con
Hertfordshire	NOC (Lab) - gain from Con
Kent	NOC (Con) - gain from Con
Leicestershire	NOC (Lab) - Lab overtakes Con
A record number of councils - 26 in England and two in Wales - have no overall control, after the Conservatives lost control of 13 councils where the balance of power changed, and notes the best-represented party for councils with no overall control.	
WALES	
Lincolnshire	NOC (Con) - gain from Con
Northamptonshire	NOC (Con) - gain from Con
North Yorkshire	NOC (LD) - LD overtakes Con
Somerset	LD - gain from Con
Suffolk	NOC (Lab) - gain from Con
Surrey	NOC (Con) - gain from Con
Wiltshire	NOC (Lab) - gain from Con
West Sussex	NOC (LD) - gain from Con

## Nuclear scheme that became a 16-year Whitehall nightmare

The £2.8bn Thorp reprocessor might yet prove an enormous white elephant, writes Bronwen Maddox

IN THE NEXT few days the government is expected to ask the attorney general formally how to avoid a judicial review on its most tortuous environmental problem: whether to allow Sellafield's Thorp plant for nuclear reprocessing to go ahead.

British Nuclear Fuels began construction of the £2.8bn, 500 metre-long plant after the 1977 Windscale inquiry. All the yellow cranes and steel walkways are fitted, the gleaming pipes are filled with nitric acid and the plant could start with the push of a button. BNF, whose long-term future rests on Thorp, is incredulous that the government can even consider scrapping it.

But the decision, originally expected by civil servants to be just another licensing application, has turned into a Whitehall nightmare. One senior official said it was like "the worst questions you are ever set (upon) entering the Civil Ser-

vice, which you never expect to meet again in your life".

If the attorney general decides no further action is needed to ensure the government is safe from legal action by pressure groups, then Thorp's fate will be decided in weeks on the basis of the pollution inspectorate's recent public consultation. The inspectorate is preparing its report for Mr Michael Howard, the environment secretary, on the 80,000 public responses.

But the attorney general may rule that the government also needs to be seen to consider the economic and social case for the plant, given that 16 years have passed since construction was approved. Simply preparing and publishing the government's view of that case could delay a decision for months; a full public inquiry could take years.

Although environmentalists believe a referral to the attorney general could make it more likely that Thorp is cancelled, it is hard to see how any wider examination would be equipped to come to that conclusion. Simply put, it is probably now too complicated to scrap Thorp.

The heart of the debate is that the reasons for reprocessing are not as clear-cut as they seemed 16 years ago. Reprocessing extracts reusable uranium and plutonium from used or "spent" nuclear fuel. But uranium is no longer scarce, and many countries have abandoned development of "fast-breeder" reactors which use plutonium as fuel. Moreover, worries about plutonium proliferation have increased.

The UK does not simply start the plant and wait to see if there is adequate demand

because, as soon as the first load of fuel runs through, the structure becomes radioactive. BNF puts the eventual cost of decommissioning, including all attached equipment, at some £1.2bn.

Any government examination would focus on BNF's claim that Thorp would be profitable just on the basis of contracts already signed for the first 10 years. BNF says that, if Thorp were abandoned, the UK would lose at least £200m in cashflow.

There are reasons to doubt foreign customers still want Thorp to go ahead. In Japan and Germany, which make up half the \$2bn order book for the first decade, power companies and government officials have said they are committed to the BNF contracts.

But Germany is investigating storage of nuclear waste

as a cheaper option, while Japan began building its own reprocessing plant last month.

Both countries are also anxious about their contractual obligation to take back the reprocessed uranium, plutonium and waste produced by Thorp from their fuel. The German government is wary of its green movement, while the Japanese government is sensitive to international opposition to plutonium shipments. These pressures, thought to be the factor most likely to weaken their commitment, would emerge once Thorp started up.

Given those uncertainties, the economic case for Thorp rests almost entirely on the strength of the customer contracts - an extremely difficult legal assessment. BNF says Japan and Germany would be bound by ferocious penalty clauses obliging them to repay

almost all the contracted sum if they pulled out. That would have to be assessed by any investigation.

The government would also have to judge whether, if it initiated cancellation of Thorp, it would be obliged to repay foreign customers some £1.6bn in advance payments used to pay for the plant's construction. Then there is the headache of nearly 5,000 tonnes of customers' fuel already waiting in Sellafield's storage ponds. It is far from clear that customers would have to take it back.

Fear of incurring penalties would make it hard for the government to raise the wider question of whether abandoning the plant, and releasing all parties from the contracts, could be in the mutual interest of the UK and Thorp's foreign customers. Civil servants say that the parties are trapped in

a nuclear "prisoners' dilemma", mirroring the famous conundrum of game theory, where the impossibility of collaboration means that the parties may reach a mutually undesirable outcome.

Other questions such as converting Sellafield to a permanent store for international nuclear waste - without adding Thorp - are likely to be hard to raise.

The International Atomic Energy Authority, the international watchdog, has urged countries to investigate a politically stable host for such a store. It might welcome a BNF offer to keep their waste for ever.

Some environmental campaigners say privately that, while they oppose nuclear power, they might be able to accommodate that solution - their opposition to reprocess-

ing is driven by worries about plutonium proliferation.

However, UK officials are pessimistic about the diplomatic possibility of raising these wider questions. Ministers are conscious, too, of the political embarrassment cancellation would bring: the loss of at least 1,200 Cumbrian jobs and the creation of one of Britain's biggest white elephants.

"We need to be seen to have jumped through every hoop," one official says. Only if that took years - because the government launched a full public inquiry - would Thorp's cancellation seem likely. A very long delay would erode the profit forecasts and could give customers a legitimate reason to pull out. But in Whitehall corridors the working assumption is very much that Thorp will go ahead.

Additional reporting by Quentin Peel and Emilio Terazono.

# Lloyd's hopes scheme will settle Names row

By Richard Lapper

HOPES OF reaching a negotiated settlement to the legal problems dogging the Lloyd's of London insurance market rose yesterday following the publication of a report prepared by a special market committee.

The committee's chairman, Mr Neil Shaw, who leads a group of Names - the individuals whose capital backs underwriting - said he was confident that the proposal to establish a new Lloyd's company to negotiate legal actions on behalf of Names was "a runner".

Mr Peter Middleton, chief executive, who appointed the

committee, said there were problems with the proposals but negotiations would continue.

Several thousand Lloyd's Names have either taken action or are planning action against the agents who handle their affairs to recover over billions of pounds of insurance losses.

Lloyd's is keen to reach a negotiated settlement to the litigation in order to make the market more attractive to new investors.

Mr Shaw's committee has been examining the possibilities of a deal between Names and the errors and omissions (E&O) insurers, which cover agents against legal awards.

THE GOVERNMENT aims to recoup any claims it meets as reinsurer of last resort to Pool Re, the reinsurance company set up by UK insurers to cover against the risk of terrorist attack.

Pool Re will pay a premium for the reinsurance cover, with the premium structure designed with the aim of "avoiding any net cost to the government over a period of years", according to the text of the bill before parliament.

It is expected that Pool Re will be authorised to trade as an insurer next week. It was created after the decision by UK insurers to exclude terrorism cover from commercial insurance policies from January 1 1993.

It is likely that claims stemming from the Bishopsgate bomb last month will exhaust premiums collected by the pool's managers to date, leaving the government with much of the bill, estimated at £300m to £400m.

As a result of the losses Pool Re is likely to review its premium structure over the next few weeks, leaving many insurance buyers, especially in areas judged vulnerable to terrorist attack, with potentially heavy increases.

The report proposes that a new Lloyd's company - Recovery - should be created to take over the legal rights of Names and seek to negotiate a deal or arbitrate a settlement with the E&O insurers. Alternatively it would conduct legal action on Names' behalf.

Names would be offered credits by Lloyd's to take part in the scheme. The Names would repay from the proceeds from any settlement.

Mr Middleton warned yesterday that it was "less than a simple matter" but said "at least we have something to work on. We are seeing whether we can find a framework. I am reasonably confident we will be able to establish an acceptable process."

The scheme's biggest flaw surrounds the possible failure of arbitration or negotiation efforts, he added.

"If we go to litigation we would find ourselves taking legal action on behalf of one group of Names [those taking the legal action] against another group [those who are members of the syndicates offering E&O cover]," he said.

Mr Shaw, who also chairs the Association of Lloyd's Members, which represents several thousand Names, said: "The proposal may not satisfy everybody but Lloyd's will end up with a route forward."

Mr Middleton said he had devoted most of the past week to the issue and had had a "useful" meeting with E&O insurers on Tuesday. He was expecting to meet the leaders of Names' Action groups, which are co-ordinating legal actions, on 17 May.

Mr David Rowland, chairman, said last week that Lloyd's might be prepared to contribute a "modest" additional sum to make a settlement possible.

## Tebbit warns of rejoining ERM

LORD TEBBIT, the former Conservative cabinet minister and party chairman, claimed yesterday that the Maastricht treaty would result in sterling being dragged back into the European exchange rate mechanism "before long", Ivo Owen writes.

Lord Tebbit said: "I believe that could provoke a political crisis."

Lord Tebbit joined Mr William Cash, a leading Eurosceptic in the Commons, in repudiating the view of Mr Stephen Dorrell, financial secretary to the Treasury, who on Tuesday reaffirmed that there was no obligation under the treaty "to work towards fixed exchange rates or membership of the ERM".

Lord Tebbit, speaking at the launch of a pamphlet on the Maastricht treaty, written by Mr Martin Howe, suggested the votes of crossbench peers could be decisive when the campaign for a referendum is taken up in the Lords.

## Dahrendorf resigns post at Independent

By Raymond Snoddy

SIR RALF Dahrendorf has resigned as chairman of Newspaper Publishing, publisher of The Independent and Independent on Sunday, blaming his departure in part on the company's failed attempt to buy the Observer.

Sir Ralf, appointed chairman in February 1992, resigned on Monday, a few days after The Guardian announced that it had beaten Newspaper Publishing in its bid to win ownership of the Observer.

Sir Ralf did not think it was right for Mr Andreas Whitam Smith, chief executive and editor of The Independent, to buy the liberal Sunday newspaper and effectively close it down as a separate title.

In a tough resignation letter Sir Ralf, a former head of the London School of Economics and now warden of St Anthony's College Oxford, was also critical of the management style of the company under Mr Whitam Smith.

Sir Ralf made it clear to friends even before the resignation letter that he did not approve of an authoritarian rather than collaborative style of management.

He has made it clear that he was increasingly out of sympathy with the political line of The Independent, which he found too right-wing. It is believed the distinguished academic found the more left-of-centre Independent on Sunday more to his taste.

The Independent carried a five-line announcement yesterday that Sir Ralf had resigned but gave no explanation and no hint that fundamental disagreements were involved.

Mr Whitam Smith declined to discuss Sir Ralf's resignation yesterday or the reasons for it. He said however that a successor would be announced soon.

"We're not quite there yet," said Mr Whitam Smith, who is also criticised in Paper Dreams, a book by Mr Stephen Glover, a fellow founder of The Independent, which is due out later this week.

Mr Glover resigned amid rows about the integration of The Independent and Independent on Sunday.

Mr Whitam Smith denied rumours that his attempt to make an increased bid for The Observer had been blocked by El Pais of Spain and La Repubblica of Italy, the largest shareholders in Newspaper Publishing. He said he had made a bid for the Observer and stuck to it.

Sir Ralf Dahrendorf was understood to be particularly close to the continental European shareholders of Newspaper Publishing.

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MR JOHN Prescott, Labour's transport spokesman (above), yesterday warned the government that the UK's merchant shipping fleet could collapse without state help for ports and shipbuilding areas.

industry, said: "The British merchant fleet faces complete extinction. We have one last chance to prevent the total elimination of our fleet, a message which our campaign is designed to bring home to the government."

He called for regional maritime zones to be set up and for aid to be targeted at major ports and shipbuilding areas.

The UK has slipped from fourth to 18th in the world's shipping league since 1979 and the merchant fleet has declined from 41m tonnes to 3m.

Mr Prescott, in Liverpool yesterday to launch a campaign to safeguard the

industry, said: "The British merchant fleet faces complete extinction. We have one last chance to prevent the total elimination of our fleet, a message which our campaign is designed to bring home to the government."

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## Plan for 999 calls set to be rejected

A PLAN to place the 999 emergency service in the hands of a new agency operated by three telephone centres is set to be rejected by Ofcom, the telecommunications watchdog.

A report by consultants Touche Ross concluded that only "limited" benefits were to be gained from replacing the existing system by which 999 calls are dealt with at more than 80 centres nationally.

The change to a centralised system was recommended by an earlier Ofcom review of the 999 service, set up in 1989 to examine its future in the light of there being more than one telecoms operator. All telecoms companies are obliged to provide free emergency calls.

## Tax ruling hits BES investors

By Scheherazade Demeestru

THREE LONDON securities houses - National Westminster Bank in conjunction with Hambros Bank, and BZW - face possible repayments of more than £50m to investors, after the Inland Revenue ruled this week that shares in their loan-backed Business Expansion Scheme companies were not issued in time to beat the deadline announced in the Budget.

Mr Norman Lamont, the chancellor, said that shares in BES companies had to be issued to shareholders by midnight before the Budget if loans were to be made against them.

Non-recourse loans allowed investors to exit from their investments after only six months instead of five years, while retaining full BES tax relief at their top marginal rate. This was intended to be on offer only to those who maintained their investment for five years.

BZW has been invited by the Inland Revenue to discuss the matter next Tuesday.

NatWest said that if the matter was not resolved it would go to court to challenge the Inland Revenue ruling. BZW said it would wait until the outcome of its meeting with the Revenue before making the decision on legal action.

## Further delays to pension changes emerge

By Norma Cohen, Investments Correspondent

FURTHER DELAYS emerged yesterday in the implementation of new rules requiring companies to increase pensions in line with inflation.

Ms Ann Widdecombe, social security minister, said limited price indexation (LPI) rules under the 1990 Social Security Act would not be implemented

until the European Court of Justice decided on equalisation of pension ages.

The rules require company pension schemes to use any surplus to increase pensions annually by either 5 per cent or the retail price index, whichever is lower.

Speaking at the annual conference of the National Association of Pension Funds in Harrogate, Ms Widdecombe

admitted that even after the European Court decision the rules would be further delayed pending a "period of consultation".

The Confederation of British Industry has called on government to abandon LPI, arguing that it will cost too much.

Acknowledging the concerns of employers, Ms Widdecombe said that while the government was committed to LPI, "We are

prepared to listen to people's concerns."

If necessary, the government would introduce new legislation to amend the act, she added.

Ms Widdecombe also told delegates to the conference that the government was highly unlikely to introduce flexibility into the state pension age, the option most favoured by the association.

"The cost to the state of flexibility is high," she warned. The Department of Social Security had been studying the experience of European states which have equalised men's and women's pension ages through flexibility.

"Some rather nasty snakes in the grass have come out. If you look across Europe, flexibility is not the flavour of the month," she said.

## Builder donated £124,500 to Tories

TAYLOR Woodrow, the construction and property group, donated £124,500 to the Conservative party and paid five former directors £1.4m in 1992, according to its annual accounts published yesterday. It made a pre-tax loss of a £68.1m.

It said yesterday that the payments to the directors were "in accordance with company's contractual obligations". The decision to increase its donation from £91,000 to £124,500 is understood to have been taken before Mr Colin Parsons took over as chairman from Mr Peter Drew, who received a payment.

## Brokers ordered to stop trading

KEDLESTON Stockbrokers, the Derby-based group, was yesterday ordered to stop trading by the Securities and Futures Authority.

The authority said after an investigation that the stockbrokers "had repeatedly failed to ensure that investments undertaken on behalf of a number of private customers were suitable or appropriate".

## Treasury bullish

INDICATORS about a possible return to growth are "very encouraging", while inflation is subdued, according to the Treasury's monthly monetary report published yesterday.

## Labour sacks Lord Desai for contradicting policy

By Ivor Owen, Parliamentary Correspondent

LORD DESAI, Labour's economic spokesman in the Lords, has been sacked for contradicting the shadow cabinet's policy by advocating the abolition of zero-rated value added tax on some goods.

Lord Desai, who also speaks on health, was asked within 24 hours of his views being quoted in the Commons by Mr John Major, the prime minister, as he moved to blunt an attack by Mr John Smith, the Labour leader.

Mr Smith had joined Mr Gordon Brown, the shadow chancellor, in harringing the government over breaking election pledges by imposing VAT on domestic fuel and suggesting

that its extension to food, transport, newspapers and children's clothing could be the next step.

The prime minister responded by quoting an article by Lord Desai in the leftwing Tribune newspaper in which he argued the case for ending the zero rate of VAT.

Lord Desai's views were also quoted by Mr Norman Lamont, the chancellor, who contended that Labour had one taxation policy in the Commons and another in the Lords.

It was the second time in six weeks that the prime minister had used Lord Desai's views to contradict Mr Smith.

This was stressed yesterday by Lord Richard, the Labour leader in the Lords, when in response to pressure from

shadow cabinet colleagues, he took the unusual step of dismissing Lord Desai from his frontbench team.

Lord Desai, a professor at the London School of Economics who was made a life peer in 1991, said he readily accepted that he should return to the back benches.

Lord Desai's views on health as expressed in the Lords have not always coincided with those of Mr David Blunkett, the shadow health secretary.

Lord Desai was recently accused of departing from official policy by expressing broad support for the government's proposals to curb expenditure on drugs by extending the list of products not available for prescription on the National Health Service.

## Unit trust group fined £75,000

By Philip Coggan, Personal Finance Editor

LAUTRO, the life insurance and unit trust regulator, has fined Prosperity Life Assurance and Prosperity Unit Trust Management £75,000.

The fine relates to the "churning" of investments by All Saints Financial Management, an appointed representative of Prosperity. The "churning" consisted of more than 70 investors being persuaded to purchase single-premium life insurance bonds, and to cancel existing bonds when doing so was not in their interests.

Prosperity has paid about £700,000 to those investors in the form of compensation. The investors received the value of

their holdings before the "churn" took place, plus interest. Prosperity has also severed its relationship with All Saints.

Lautro, however, said Prosperity "had failed to take all reasonably practicable steps to monitor the business sold through its appointed representative." Its disciplinary committee considered the evidence "demonstrated a serious breach of the Lautro rules". In addition to the fine, Prosperity has to pay the costs of the hearing and the investigation.

Mr Nigel Herrick of Prosperity said: "We accept the Lautro verdict and we are now more vigilant in checking business from authorised representatives."

UK CAR REGISTRATIONS - JANUARY-APRIL 1993									
	April 1993		Apr '92		January-April 1993		Jan-Apr '92		
	Volume	Change%	Share%	Share%	Volume	Change%	Share%	Share%	
Total market	135,489	-1.9	100.0	100.0	559,730	+8.2	100.0	100.0	
UK produced	62,707	-1.8	46.3	44.8	265,052	+9.3	47.3	45.1	
Imports	72,782	-4.9	53.7	55.4	320,548	+7.3	54.5	54.9	
Japanese makes	19,380	+15.3	14.3	12.2	74,807	+20.7	12.7	11.4	
Ford group	29,031	-11.8	21.4	23.8	133,923	+2.7	23.8	24.0	
- Ford	28,507	-12.3	21.0	23.5	131,777	+2.6	22.4	23.6	
- Jaguar	524	+18.6	0.4	0.3	2,146	+9.5	0.4	0.4	
General Motors	24,814	-2.8	18.3	18.0	100,511	-1.0	17.1	18.6	
- Vauxhall	24,141	-2.7	17.8	18.0	97,188	-0.8	16.5	18.0	
- Lotus	673	-30.0	0.0	0.0	50	-75.8	0.0	0.0	
- Saab*	894	+0.5	0.5	0.5	3,273	-3.1	0.6	0.6	
- Rover*	19,809	+6.6	12.5	11.5	76,161	+18.2	12.9	11.8	
Peugeot group	15,248	+1.5	11.2	10.9	74,882	+16.1	12.7	11.9	
- Peugeot	10,459	+0.6	7.7	7.6	47,803	+8.3	8.1	8.0	
- Citroen	4,789	+3.0	3.5	3.4	27,279	+30.3	4.8	4.9	
- Renault	7,610	+11.3	5.6	5.0	32,572	+31.2	5.8	4.8	
Volkswagen group	7,838	-18.5	5.8	4.8	32,542	+0.3	5.8	6.0	
- Volkswagen	5,135	-22.5	3.8	4.8	22,251	-7.0	3.8	3.8	
- Audi	1,599	-10.0	0.4	0.3	6,924	+11.0	1.2	1.2	
- SEAT	587	+33.4	0.4	0.6	1,018	-61.7	0.2	0.5	
- Skoda*	617	+19.3	0.5	0.4	28,050	+18.0	4.8	4.3	
Nissan	6,899	+54.3	3.8	2.4	18,413	+47.7	3.1	2.3	
Toyota	5,191	-10.0	2.5	2.8	14,125	-2.4	2.4	2.7	
BMW	2,229	-40.1	1.7	2.7	14,100	-15.4	2.4	3.1	
Volvo	3,642	+25.2	2.6	2.1	13,051	+20.0	2.2	1.9	
Fiat group	3,401	+32.0	2.5	1.8	12,073	+21.9	2.1	1.8	
- Fiat	46	-22.0	0.1	0.2	235	+19.3	0.0	0.0	
- Lancia	48	-22.0	0.1	0.2	743	-3.6	0.1	0.1	
- Alfa Romeo	195	-28.8	0.2	1.9	9,497	+5.5	1.6	1.7	
Honda	3,131	+17.8	2.3	1.5	7,169	-15.0	1.2	1.8	
Mercedes-Benz	1,610	-22.6	1.2	1.4	6,126	+1.8	1.0	1.1	
Mazda	1,494	-22.5	1.1	1.4					

\*UK holds 50% of South Automobile and has management control. \*\*Includes Range Rover/Discovery. Honda holds 20% of the "UK" holds 31% of Skoda and has management control. \*Renault and Volvo are listed through cross shareholdings. Source: Society of Motor Manufacturers and Traders

## Motor industry seeks to dismiss April sales fall

By Kevin Done, Motor Industry Correspondent

THE RECOVERY in new car sales faltered last month with registrations falling by 1.9 per cent, the first year-on-year decline in seven months.

The motor industry said that the April comparison might be misleading, since new car sales have risen year-on-year in 10 of the last 13 months.

Sales in April last year were inflated by customers who had delayed purchasing in the early months of the year.

Car tax was halved in the 1992 Budget, which helped to fuel a 8.1 per cent rise in car sales in April 1992, the first year-on-year increase in 30 months and the first sign that the severest recession in the car market in the post-war period was ending.

Mr Roger King, public affairs director of the Society of Motor Manufacturers and Traders, said: "We believe we are still on course for an increase of

between 5 per cent and 10 per cent for the whole of 1993, but in line with the state of the general economy the new car market continues to be rather fragile."

New car registrations in April fell to 135,489 from 138,106 in the same month a year ago, figures released yesterday by the SMMT show. Sales of 559,730 in the first four months of the year were 8.2 per cent higher than in the corresponding period a year ago.

Registrations of new commercial vehicles remained depressed with a 1.7 per cent decline in April, the third year-on-year fall in three months.

In the first four months new commercial vehicle registrations at 67,171 were still 4.5 per cent lower than in the corresponding period a year ago.

The main weakness in the commercial vehicle sector is in the van market. Registrations of trucks and buses rose modestly in the first four months.

Japanese makes are gaining

ground in the new car market, helped by the rapid growth of sources of supply outside Japan.

Nissan, Toyota and Honda are produce cars in the UK. Toyota and Honda both ship cars to the UK from the US and Nissan and Suzuki supply the UK from plants in Spain. Mitsubishi has started to export cars to the UK from Australia.

Japanese makes won 14.3 per cent of the new car market in April, up from 12.3 per cent a year ago. The Japanese share in the first four months rose to 12.7 per cent from 11.4 per cent a year earlier.

Ford, the UK car market leader, saw registrations fall 12.3 per cent in April, depressing its market share to 21 per cent from 23.5 per cent a year ago. Its share in the first four months fell to 22.4 per cent from 23.8 per cent a year ago, but its fortunes should be boosted by the recent launch of the Mondeo family car, the replacement for the Sierra.

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**MASSIVE END-OF-LEASE  
ORIENTAL CARPET WAREHOUSE  
STOCK LIQUIDATION SALE**  
*Across-the-Board Reductions*  
to clear all warehouse merchandise prior to closure  
VAST STOCK - ALL TYPES, QUALITIES, SIZES  
GUARANTEED GENUINE AUTHENTIC HANDKNOTTED  
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Indian, Chinese & other traditional handmade  
**ORIENTAL RUGS, RUNNERS & CARPETS**  
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	Was	Is Clear
Persian Village Hamman, 5' x 7'	£135	£145
Persian Nomad Qashgh, 8' x 7'	£290	£175
Turkish Kari Kari, 10' x 8'	£1,250	£700
Pure Silk, 11' x 11'	£3,700	£3,900
Pure Silk, 11' x 11'	£2,500	£1,950
Magnificent Afghan Kandi, 10' x 7'	£1,500	£850
Large tribal Baluch, 4' x 2'	£185	£70
Silk-wool on silk Persian Isfahan	£2,550	£1,750
Pure Silk Bokhara runner, 11' x 2'	£450	£275
Superb Indo-Baluch, 11' x 5'	£2,900	£1,590
Pure Silk Persian Haman, 9' x 6'	£1,850	£1,000
Some Persian tribal Abkar, 8' x 6'	£255	£250

(Prices and VAT - all sizes approximate)

**HUGE WAREHOUSE CLEARANCE SALE**  
THIS WEEKEND  
**SATURDAY 8 MAY & SUNDAY 9 MAY**  
10 a.m. - 5 p.m. each day  
**PERSIAN CARPET WHARF WAREHOUSE**  
110 Pennington St, Wapping, London E1  
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## FINANCIAL TIMES

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Weekend May 8/May 9 1993

## Doubts about US recovery

**PITY POOR Mr Bill Clinton.** He is held responsible for everything, but is so hemmed about in what he can do. This is particularly true of economic management, which is one reason why even a "domestic" president finds himself drawn to the pleasures and pains of foreign policy activism.

How difficult a president's life can be is shown by the reaction to just three months of subdued economic growth. Provisional estimates suggest that the economy grew at an annualised rate of 1.3 per cent in the first quarter of 1993. But this followed growth at 4.7 per cent in the fourth quarter of 1992, which means that average growth in the two quarters was 3.3 per cent. This would seem to be perfectly satisfactory. But Mr Ron Brown, the commerce secretary, responded to the news by saying that the economy was growing at "an unacceptably low rate".

As is usual in almost any recovery, the signals are confusing. Yesterday's announcement on employment in April, for example, showed a constant unemployment rate and an increase in non-farm employment of 119,000, which was somewhat less than generally forecast. Earlier in the week it was also announced that the March index of leading indicators had shown a fall of 1 per cent, while there was also a sharp decline for April in the widely followed Purchasing Managers' Index.

Yet the Federal Reserve's latest beige book survey of regional economic conditions had been more optimistic. It cited a "modest improvement in economic conditions across much of the nation" last month, following a dip in activity in March, which was caused mainly by severe winter weather. Manufacturing output, retail sales and home sales were all said to be improving.

### Halting expansion

All in all, after eight successive quarters of growth that have followed what was only a mild recession, there is nothing in this performance worth getting particularly worried about. As Mr Greenspan has often pointed out, this was always likely to be halting recovery in an economy that was weighed down by debt.

There is also rather little the authorities can do to help. Monetary policy is already as loose as can be imagined. The administration may blame Senate Republicans for blocking its plans for short-term fiscal stimulus worth \$16bn (£9bn). But the loss of such a marginal amount of fiscal pump

priming can only be a convenient excuse for a baffled administration, not a plausible reason for economic sluggishness. Rather more plausibly, the president responded to the latest index of leading indicators by arguing that it reinforced the case for enactment of his deficit-cutting bill. This package might help reduce long-term interest rates, or at least keep them as low as they already are. But the modest scale of Mr Clinton's proposed deficit reduction means that their enactment would not make all that much difference.

What seems to have been affecting the US economy most is the recession abroad. Last year US exports defied recessionary forces, growing at a real rate of about 6 per cent. But in the first quarter they contracted at an annual rate of 7 per cent relative to the fourth quarter.

### European recession

Given the combination of domestic recession with a current account surplus in the year to March at \$128.1bn, which is also about 3 per cent of GDP, Japan is already under strong US pressure to boost its economy still further. Its close political and economic relationship to the US ensures that Japan is likely to yield to that pressure, however reluctantly.

While this would give the US a part of what it wants, there is still the little matter of the European recession. France has managed to lower its interest rates, as credibility of the franc parity has increased, but the pace of Germany's monetary easing remains glacial. This week the six German official research institutes called for faster reductions in interest rates. They believe that their forecast of a 2 per cent decline in west German GDP between 1992 and 1993 justifies a firmer step on the accelerator. The Bundesbank remains unpersuaded.

Fortunately for Mr Clinton, the US economy is not that obviously beleaguered. He is fortunate because there is little he could do about it. US exports depend on the whims of the foreign exchange markets, and recalcitrant foreign powers, such as the Bundesbank. US domestic sales depend on his fellow citizens and equally recalcitrant powers, like the Federal Reserve and, above all, Congress. Mr Clinton is learning the same lesson as Mr Bush. The president's responsibility for the fate of the US economy is as burdensome as his ability to change it is small.

## The electorate strikes back

**THE FULL** measure of Conservative disenchantment during the depths of its unpopularity in 1983, and far worse than the record of the Callaghan government at the height of the 1976 devaluation crisis. According to Gallup, the public regards Mr Major's government as ineffective, short-sighted, incompetent, divided, out of touch, weak, and unaware of what it is doing. A fairer characterisation would be that it is not all of those things at the same time. The prime minister inherited a poor hand of cards. With the best will in the world it has to be said that on occasion he has played it badly.

### Small comfort

In consequence the country has a government that it does not respect – and an opposition that it does not trust. It chose the government rather than a Labour administration a year ago, when the recession was biting hard and the green shoots of recovery were figments of the chancellor's imagination. People are now saying that they would vote for a Labour administration, but in Newbury the Labour candidate lost his deposit. It was to the Liberal Democrats the traditional vehicle for mid-term protests, that the unhappy voters turned. Labour did well in the local elections, but the Liberal Democrats did better.

It is for this reason that the government can comfort itself with the thought that, in spite of everything, it will not be tarred out when the next general election comes. By that time boundary changes favouring the Conservatives will be in place. The economic recovery should be well under way. The Labour party may look less anaemic than it does today, but the non-Conservative vote will still be split, going to Labour in Scotland and the North and the Liberal Democrats in the south. Even if the two parties of opposition agree to work together, many voters will not be tempted, unless Labour has by then won their trust. Meanwhile, Mr Major is in for a bumpy ride.

### Dismal ratings

This explanation of Thursday's election results is fine so far as it goes, but it is not the whole story. According to a Gallup poll in yesterday's Daily Telegraph, Mr Major presides over the most unpopular government since 1945. Its approval rating has fallen below 20 per cent for the past seven months in a row. This is a worse score than that recorded by

English voters have taken their revenge on the government, says Philip Stephens

## No hiding place for Major

**Mr John Major** should not be too surprised. For nearly a year his government has been tearing itself apart over something called Maastricht while the rest of the country endured the ravages of the recession. The voters were bound to take their revenge. But after one of the worst nights for a Tory government in living memory, that will be scant consolation for its embattled administration. The prime minister's fragile political authority has suffered another blow. His party shows every sign of panicking. It was not only his enemies who were using words like "dreadful" yesterday.

The losses were much heavier than even the pessimists in 10 Downing Street predicted. The 33 per cent fall in the Conservative vote in Newbury was the largest since the second world war. A Liberal Democrat majority of, say, 5,000 would have surprised few. The 22,000 margin won by Mr Paddy Ashdown's party was a shock.

The government's paper majority in the House of Commons has been reduced to 19. The fractious mood among the malcontents and the disenchanted on the Conservative backbenches means that in reality it cannot rely even on that.

The county council elections reduced the once-Tory shires to the Tory shire. Essex man and woman have had enough. So, too, have their two-suited counterparts in the English heartlands of Surrey, Berkshire, Hampshire and Sussex. It may well be that in two years we will look back on the results as a classic mid-term aberration: a protest vote by a badly bruised electorate rather than a declaration that it intends to boot out the government in the subsequent general election.

There are crumbs of comfort for Mr Major. The resurgence of the Liberal Democrats – a triumph for Mr Ashdown after a year in the wilderness – was a potent reminder of how the Conservatives may still profit from a divided opposition.

The collapse of the Labour vote in Newbury to the lowest recorded in any constituency for more than 50 years may have been a predictable by-product of tactical voting. But a respectable showing in the shire counties provides little evidence that Labour has re-established its claim as a government-in-waiting.

So the national and local results have rekindled speculation that the two main opposition parties will be driven inexorably towards some kind of pact at the next general election.

Mr Ashdown, taking full advantage of his party's return to the political sunlight, is already speaking of the need for a change in the "culture" of opposition politics. The habit of co-operation at local level will strengthen its case.

The message will not be lost on those in Mr John Smith's shadow cabinet who believe an informal deal with Mr Ashdown is vital to avoid a fifth consecutive general election defeat. But for all the inevitable speculation, there is no sign yet Mr Smith is ready to give up the hope of winning alone. If there is to be another Lib-Lab pact it will be born of opposition desperation not of Tory defeat.

The economy is on Mr Major's side. Scalded by their misplaced trust in April 1992, the electorate declined this week to believe that a vote for the Conservatives on Thursday would underpin economic recovery on Friday. But by any objective analysis the recession has ended. It is a fair bet that six months from now, voters will feel a great deal more comfortable; and Mr Major is only one year into the parliament.

But the hope that history will take a kinder view of this week's humiliation will not make life any easier for him in the short term. It is just possible – not yet probable – that the rout could be the catalyst for another loss of collective nerve in the Tory party. If that were to happen, the prime minister's own position would be questioned.

His most immediate problem is to restore an appearance of authority.

His government's strength is being sapped by the continuing battle over the Maastricht treaty.

Downing Street is probably right when it claims that the latest climb-down over the social chapter will not in the end disrupt ratification of the treaty. But the threatened legal challenge from Tory Euro-sceptics will keep open the wound.

Mr Major can no longer escape the pressure for the radical shake-up of his cabinet which he has avoided since the debacle last September of sterling's exit from the European exchange rate mechanism. In recent weeks, only Mr Douglas Hurd has stood out as a figure of calm authority.

Mr Norman Lamont's hold on the chancellorship looks more precarious now than ever. His characteristically irreverent comment during the Newbury campaign – *Je ne regrette rien* – has come back to haunt him.

**T**he prime minister has not made up his mind about a reshuffle. Until yesterday his inclination was to avoid one. He will be careful not to be stampeded into instant changes. But his friends believe the risks of keeping on Mr Lamont now outweigh the threat that the chancellor might not go quietly. They want a late July reshuffle.

Those looking at potential successors should add Mr Malcolm Rifkind to the list of names at present headed by Mr Kenneth Clarke and Mr Michael Howard.

Whatever he decides, Mr Major must also confront a more fundamental problem. The government's authority will be restored only when he establishes the identity which has so far eluded it. What is Majorism? Until it is answered it remains a dangerous question for the prime minister.

The mix of free-market economic orthodoxy and caring Conservatism which he offered at the general election has been lost in the recurrent crises of the past year. A catastrophic increase in public borrowing has driven him to contemplate an assault on the welfare state that



even Lady Thatcher shunned.

But his promise yesterday to listen to the electorate must push him in another direction. Resentful voters cannot be expected to greet with enthusiasm cuts in state pensions or benefits provision or the introduction of new charges in the National Health Service.

Nor do the promised privatisation of British Rail or the deregulation of London's buses seem likely to persuade voters that Mr Major represents the kind face of Thatcherism.

His friends believe that the government will now have to rethink its agenda – starting with the legislative programme for next year. The prime minister needs to reassess his image as an instinctively centrist leader. A starting point might be to

end the chaos in the schools by reaching a compromise with the teachers in the dispute over tests.

A £1bn-a-week public borrowing requirement will not allow any relaxation of public expenditure constraints. But the more radical suggestions emerging from the Treasury's review will have to be unceremoniously dropped.

It would be fatal to panic now. Past form – remember all those predictions of impending catastrophe during the general election campaign – suggests Mr Major will not. Economic recovery will prove a potent balm. But after this week's humiliation the prime minister might pause to reflect also that there is no iron rule of politics that says governments always, but always, regain their balance.

## Sharing out the spoils

John Authers says councillors will learn to co-operate

**E**nglish county councils are entering a new age of uncertainty. The signs are, however, that it could pave the way for an era of co-operation, guided by opposition to Conservative central government.

A record number of counties – 26 – have no overall party control. In most cases, the largest parties will seek to form the local administration, and then look for support from other councillors. Parties are unlikely to make formal pacts.

The Liberal Democrats now comprise the largest group in nine councils where there is no overall majority. They will expect to be recognised as the policymakers in all of them – as will Labour in the eight hung counties where they have the largest representation.

The Liberal Democrats hope that the results will usher in a coalition style of local government along European lines, while Labour describes speculation about "Lib-Lab agreements" as "basically legitimate". Mr Andrew Stunell, political officer for the Liberal Democrat Councillors, said: "There will be a number of Labour politicians who are having to come to terms with what it will be like if we have a reformed constitution based on proportional representation. It's the norm in the rest of Europe."

Party leaders will look for support generally on an issue-by-issue basis. This is the approach of Mr David Rogers, leader of the Liberal Democrats in the hung council of East Sussex, formerly Conservative. He does not expect any formal arrangements.

He made clear that the chances of an informal link with Labour were high: "The Conservatives' credibility as a member of the administration has been damaged."

Mr Ken Bodfish, the Labour leader in East Sussex, seems to

have similar priorities. He says his responsibility is "to ensure that there is a non-Tory county council", where the Tories still form the second-biggest party.

This sentiment is echoed in other hung counties where the Liberal Democrats have replaced the Conservatives as the largest group. In West Sussex, Labour leader Mr Arthur Pegler foresees a return to the non-partisan days when the council was run by independents. He has no intention of entering into a formal pact with the Liberal

Democrats, and does not dispute their right to govern.

Labour will make up its mind on individual issues, but Mr Pegler said: "There is no difference between us and the Liberal Democrats on the most important things, such as the provision of social services, schools, the environment and the maintenance of roads."

Lib-Lab arrangements of different kinds might also arise in counties where the Conservatives remain the largest party, such as Norfolk, where they lost overall control for the first time since 1888. Labour is talking to the Liberal Democrats about opposition to the closure of village schools, rural policies, and applications for EC aid. Their hopes of engineering a change in county policies are high.

### MAN IN THE NEWS: Peter Wood

## A cuckoo big enough to fly the nest

**F**rom a distance, Mr Peter Wood appears as unexceptional as his name. Soberly dressed, quietly spoken, even a little shy. He could be any middle manager in a large manufacturing company, putting in long hours for £35,000 a year. But close up, he starts to display a disconcerting intensity. And there is nothing boring about what he gets paid.

Mr Wood runs Direct Line, the UK insurance company which sells policies by telephone, and which this week disclosed a trebling of profits in the first half of its financial year. This means that 46-year-old Mr Wood, who last year earned \$6m, is likely to be paid at least £10m.

The issue of his pay re-emerged this week amid several reports about the escalating salaries of some British company directors. Mr Wood remains the nation's highest-paid, but he is starting to face stiff competition. A share option scheme at London Weekend Television seems likely to give shares worth £55m to a group of its senior managers.

Yet there is an argument that Mr Wood is under-paid. It runs as follows. Like Mr Bill Gates of the US software company Microsoft – who is worth an estimated \$8bn – he was the first to spot how technology might change an industry. Mr Gates held on to his stake in Microsoft, whereas Mr Wood sold his 25 per cent of Direct Line – potentially worth £250m – to Royal Bank of Scotland.

When he sold in 1988, he received an unusual contract in return. The bank agreed to inject capital into the company to fund its growth. It offered Mr Wood a yearly bonus linked to the rate at which Direct Line increased its assets – the insurance policies it sells. Direct Line is now one of Britain's fastest-growing companies.

The man who has made it so excites a mix of astonishment, admiration, and in some cases fear, from his colleagues and competitors. He occasionally gives the

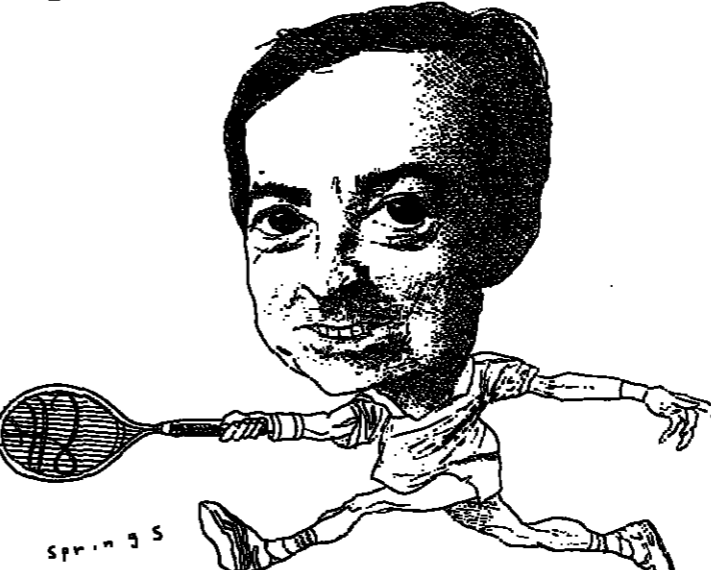
impression that he is physically at war with others. Nor does he have much time for niceties, such as tending to respect the achievements of others in the industry he is shaking the roots.

"He is one of those incredibly ruthless characters who says 'I'm going to take you all on,'" says one former colleague. Even Lord Younger, Royal Bank's chairman, describes his best-known director as "volatile". He adds: "There are not too many Peter Woods around. He is so unusual because he has such tremendous drive, and an individual view about everything."

Mr Wood has another explanation. "To be average makes you good in the insurance industry," he says. With barely concealed contempt he recalls a meeting with an executive from another insurance company. "He could tell me all about the worldwide airline table, but when I asked about seven specific areas of his business he didn't have a clue," he says.

By contrast, he knows every detail of Direct Line, spitting out figures for "loss ratios" and "expense ratios" in machine-gun fashion. His vision also differentiates him in a generally conservative and slow-moving industry. While some companies are still considering whether they should set up direct operations, Mr Wood is hatching broader plans.

He is distinctly uncharitable about companies such as Churchill, The Insurance Service and GA Direct, which have now copied Direct Line's methods, even though these companies are starting to experience some success. He says that it will take some time for them to achieve Direct Line's levels of efficiency in processing policies.



Its advantage comes from technology, of which Mr Wood is a master. Direct Line's information and management systems have helped it cut costs over its rivals. Computer software helps ordinary telephone sales workers to make decisions, thereby saving on more senior underwriters and middle-managers. Mr Wood developed his technical skills at Levi Strauss, where he became head of European data processing operations at 25 – and at Alexander Howden, the insurance broker.

Mr Wood's acerbic view of the industry spreads to critics of his salary. "They are only moaning minnies who do not know what they are talking about," he says.

One enigma to outsiders is what he does with his money. He lives well but relatively modestly with

his wife and five daughters in Surrey, drives an 8 Series BMW and devotes much of his spare time to tennis, which he is said to play well, and intensely. His regular partners include Cliff Richard, the pop singer and entertainer, and Sue Barker, the former Davis Cup star.

Yet insurance industry insiders do not regard his lack of flashy spending as a mystery. For Mr Wood could eventually have a good use for his money. This stems from his unusual relationship with Royal Bank of Scotland, at which he appears out of place. Mr Wood is hardly the grey, stolid manager whom banks have traditionally groomed for senior jobs.

Royal Bank initially gave Direct Line backing of £20m, and has since built its capital to a total of £90m.

John Gapper and Richard Lapper

# Swept apart by the torrent

Western policy towards Bosnia is in disarray, write Jurek Martin and Robert Mauthner

The Bosnian conflict has seen many unexpected and contradictory developments since it began more than one year ago. But few of them have been quite as dramatic or significant as those of the past week when the peace agreement brokered by Mr Cyrus Vance and Lord Owen was first signed by the Bosnian Serb leader, Mr Radovan Karadzic, and then rejected by his self-styled "parliament" a few days later.

Those successive events appeared first to vindicate the proponents of a diplomatic solution of the Bosnian problem, like Lord Owen himself and members of the European Community, and, subsequently, to strengthen the arguments of those advocating military measures, like the US.

They have, not surprisingly, had a profound influence on the discussions held over the past week by Mr Warren Christopher, the US Secretary of State, in the main western European capitals and Moscow, but have left western strategy in a state of considerable disarray.

Mr Christopher's mission to Europe had a two-pronged objective: to co-ordinate western and Russian policy on the implementation of the peace plan and to bring them "on side" for military measures under the umbrella of the United Nations, if the peace plan, already approved by the Bosnian Croats and Muslims, was not endorsed by the Bosnian Serbs.

Success on the first point was more easily achieved than expected. The US offer to contribute about one-third of the 70,000-strong Nato-led international force opened the way to promises of substantial pledges of troops from Britain, France and, not least, Russia.

Pinning down the European allies and Russia on military measures, in case the peace plan was rejected by the Bosnian Serb assembly, was altogether a more tricky task. The allies wriggled as much as they could, while doing their best to avoid giving the impression of a serious rift with Washington.

They did not rule out tougher measures, possibly in the form of air strikes, but insisted that further consultations would have to be held before any decision to embark on such a course was taken.

These differences did not matter so much as long as they referred to a hypothetical situation. They have become much more of a threat to a united western front and, indeed, to US-Russian relations, since the Bosnian Serb assembly rejected the plan.

While President Clinton has been calling insistently for the international community "to unite and act quickly and decisively," his European allies have found another reason for delaying military action. Ironically, a lifeline has been thrown to them by President Slobodan Milosevic of Serbia, the very man whose particular brand of Serbian nationalism provoked the Bosnian conflict in the first place.

Only Mr Milosevic has sufficient clout and influence over the Bosnian Serbs to bring them to heel, Mr Vance and Lord Owen have always claimed. That proposition has been proved at least partially correct by the refusal of the Bosnian Serb assembly to head the Serbian leader's passionate plea for approval of the peace plan. The marionettes no longer seem to react to the tugs of the puppet master.

Yet the clout is still there. Mr Milosevic's swift move following the rejection of the peace plan to seal all supply



Under fire: only President Milosevic has the clout over the Bosnian Serbs to bring them to heel

routes from Serbia to the Bosnian Serbs, except for food and humanitarian supplies, will plug a big hole in international sanctions. It is also clear that the bombing of one of the obvious targets for air strikes, the Bosnian Serb supply routes. Will the US want to go ahead in these circumstances?

For President Bill Clinton, who is expected by the international community to take a leading role in the Bosnian affair, the dilemma is painful. It sometimes seems that fate deals unkindly with Democratic US presidents. Woodrow Wilson, FDR, JFK and LBJ, even, to a lesser extent, Jimmy Carter, all found themselves sucked into foreign vortexes when they wanted to do much more at home.

In the case of Mr Clinton, perhaps more than any of the above, there is an especially bitter irony. Not four months into office, elected to put the

domestic house in order and with no known desire to be tested in the crucible of battle, this first post-Cold War president finds himself standing on the brink of a military engagement in a distant part of the world ruled by medieval passions, which are the antithesis of everything this very modern man stands for.

At stake for him is not only his own credibility as leader of the world's sole remaining superpower, but that very domestic agenda by which he puts so much store and which already is proving such a struggle to implement. For if Vietnam killed off the Great Society and the last World War brought an end to the New Deal, so can Bosnia prove a dagger into the heart of the many programmes that he used to call the New Covenant.

As Mr Anthony Lake, his national security council adviser, said yesterday, conflict is still "avoidable." Mr

Clinton has decided what he would do, but not yet to do it. Lining up the European allies and Russia remains an incomplete and fraught process. But, perhaps more important than anything, the president still has to prepare his domestic audience for the fateful step of overseas military engagement.

Put simply, his country needs to know "why". The common denominator in US opinion is that there are no good options in Bosnia. Yet, as Mr Thomas Foley, the Democratic Speaker of the House, frequently says, there is "an overall presumption," based on precedent, that if Mr Clinton goes to Congress and asks for authorisation to use force he will get it. President Bush did so for the Gulf War and President Johnson for Vietnam, even after intense debate.

But, political wisdom also runs, Mr Clinton must first make the case for action, which he has yet seriously to

attempt. He has to lay out the vital US interests in the region, what the objectives and duration of any military engagement might be and even, in these budget-straitened times, how it is going to be financed.

Both support for and opposition to the use of military force cuts across party lines. Tom Foley and Bob Dole, the Republican Senate leader, are for it. Lee Hamilton, dovish chairman of the House foreign relations committee and John McCain, the hawkish ex-Vietnam POW and Republican senator from Arizona, are against. All agree, however, that the US cannot act alone.

In the middle are countless voices preferring one option or another. Mr Larry Eagleburger, the former secretary of state and old Yugoslav hand, condemns himself at a loss. "I don't think we are in a position at this stage to be very clear about what we should do next," he says.

The New York Times leader column, previously red-blooded behind intervention, could only advise yesterday that Mr Clinton first pursue "the still shaky political and diplomatic fronts."

Discontent with the reluctance of the European allies to fall into line is palpable. Congressman Tom Lantos, the California Democrat, is far from alone in deriding "the pitiful performance of the great European powers" in "flunking" their first test of post-Cold War leadership. Cartoonists are having a field day with depictions of European statesmen washing their hands of the Balkans, but inviting the US to get involved.

Yet President Clinton has made it clear that the US will not go it alone in Bosnia. The question that must still be answered is whether the allies will sink or swim together in the Bosnian whirlpool.

Louise Kehoe on Levi Strauss's decision not to invest in China

## Bold fashion statement

Levi Strauss blue jeans may be an even more widely recognised symbol of American values than the stars and stripes. Sticking to values that reflect freedom and democracy is a top priority for the 149-year-old San Francisco company, which has been making denim pants since the California gold rush - even if it means sacrificing profits.

This week, Levi's, the world's largest apparel manufacturer with sales last year of \$5.6bn, said it had decided not to make direct investments in China and to terminate contracts with Chinese clothing manufacturers, because of what the company called "persistent violations of basic human rights."

The decision coincides with the debate in Washington over continuing China's most favoured nation trading status, and has fueled the arguments of those seeking human rights concessions from China. However, the company insists that it is not trying to influence the political process or gain publicity.

The partial withdrawal from China - where Levi continues to buy cloth and other supplies - is the latest result of a study of the company's manufacturing contractors outside the US to determine whether they comply with the strict ethical guidelines adopted last year.

Levi has already pulled out of Burma, and terminated 5 per cent of its more than 600 contract manufacturers in 50 countries, as well as demanding that a further 20 per cent improve conditions.

In an industry noted for sweat shops and abuses of workers rights, Levi has earned a reputation as a good employer in the US. Its labour relations are "among the best in the industry," according to the Amalgamated Clothing and Textile Workers Union.

Yet like most US apparel makers, Levi has shifted an increasing proportion of its production to contract manufacturers overseas in recent years to cut costs. Concerns about conditions in foreign factories led to the adoption of the guidelines.

"As we expanded our operations to more diverse cultures and countries, we felt that we needed to set standards to ensure that our products were being made in a manner consistent with our values, that would not be damaging to our brand image," says Bob Dunn, Levi vice-president and a member of the team of managers which compiled the criteria for selection of Levi contractors.

Levi's "terms of engagement" for contractors cover environmental requirements, health and safety of workers and employment practices. Levi states that it will not do business with contractors who use child labour or prison labour. Working hours are limited to 60 per week and wages must at least match local standards.

Recognising that in some countries working conditions are beyond the control of individual contractors, Levi also drew up a list of criteria for "country selection", which

excludes those found violating the United Nations declaration on human rights or which are politically or socially unstable, such as Peru.

"Levi is to be commended for being the first company in the garment industry to adopt standards for contractors," says Mr Philip Harvey, executive director of the International Labour Rights Research and Education Fund, a private sector group that presses for workers' rights.

From Levi's perspective, the guidelines have proved a valuable management tool. "The ink was barely dry on our guidelines when we were faced with a problem," recalls Mr Dunn. One of the company's contractors in Saitpan, a US territory in the Mariana Islands, was charged with withholding \$10m in wages from its 1,350 Chinese immigrant workers. With the guidelines in place, Levi assessed the situation and terminated the contract.

However, Levi has faced some difficult decisions. In Bangladesh, for example, the company threatened to close factories where young children were virtually enslaved. "The children were the sole source of income for their families, and that they would be begging if they were not working," said Mr Dunn.

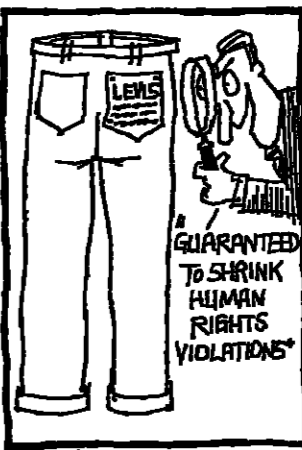
A compromise was worked out. The contractors agreed to pay the children full wages if they attended school until 14 and then came to work in their factories. Levi is paying for tuition, books and school uniforms. "This is a major effort, involving training and evaluation," said Mr Dunn.

Levi is paying a price for its principles. But in the case of China, the costs of withdrawing are high. "It is not trivial," according to Mr Dunn. "It will not be material for a company of our size. We believe that in the long term, protecting our brand image will support our commercial success."

As a privately held company, with most of its stock held by descendants of Mr Levi Strauss, Levi can take a long-term view. However, a handful of public companies are following its lead. These include Reebok, the shoe manufacturer, Nike, the sports goods maker, and Sears, the retail chain.

"Levi Strauss has helped us to develop and implement our standards," said Mr Doug Cahn, director of human rights at Reebok. The company is beginning to assess its contractors. "I'm about to leave for a trip to China with an audit team next week," Mr Cahn said.

Despite short-term costs, Levi's human-rights stand in China could pay off, Mr Harvey predicted. "If it is recognised by the next generation of Chinese, Levi will have an advantage in a burgeoning market," because young people will associate the brand name with integrity and freedom. But if Levi stays out of China for too long it may miss out on a gold rush bigger than the one on which it was founded: a billion people eager to adopt one of the west's most enduring symbols.



Workers in eastern Germany have mixed emotions about their current industrial action, writes Judy Dempsey

## A striking difference across the picket lines

I suppose we have no choice," said Wolfgang, a 55-year-old stevedore. Until last Tuesday, he had been clocking in since 1983 at the Neptun shipyard in Rostock, north-eastern Germany. Then the word came from IG Metall, Germany's powerful engineering union, that the workers, who had already been haloted, were to start an indefinite strike in support of higher wage claims.

"We have to trust Steinkühler," he added. Franz Steinkühler, head of IG Metall, is staking his reputation on the outcome of a strike in eastern Germany, the first for more than six decades. He wants the employers to reinstate a contract which would this year have given eastern German metal, engineering and steel workers pay rises of more than 20 per cent, and which would have equalised eastern and western wages by next year.

The contract, which was signed in March 1991 between the employers, IG Metall and east German factory managers, was cancelled by the employers in March this year because of Germany's deteriorating economic situation.

"It's difficult to tell you how I feel," continued Wolfgang. "I have never been on a strike before. They were banned. Steinkühler says that we might as well strike anyway so that even if we lose our jobs we might win higher unemployment money."

Heinrich, a colleague who started work at Neptun 15 years ago, at the age of 27, expresses greater doubts about the wisdom of the strike. "I don't want to be without a job and remain at home," he says. "My wife

has lost her job in a factory. She is now depressed. She sits at home all day. I don't want to end up like that. I want to work, not broken promises."

Both men earn DM1,500 (€37.00) a month after tax - about half the average in western Germany. They each spend about DM250 on rent. "The money does not go far enough. We pay western German prices for most things - petrol, cars, phones, utilities, household goods. We cannot live on what we earn," says Wolfgang.

Both men feel confused about the goals of German unification. "Kohl promised jobs, a better life, real unification. But look what has happened," says Heinrich. "The Treuhänder [the agency charged with privatising eastern German industry] has either shut down almost everything along the Baltic, or else has completely cut back the workforce."

Neptun used to have 7,500 workers before 1989. Now there's only 1,200. I get up every day thinking I might be the next one without a job. It's very frightening. We never had to think like this before. Maybe Steinkühler is right. He says we have nothing to lose if we go on strike because he says we are going to lose our jobs anyway," he added.

Wolfgang dismisses the argument advanced by employers that low wages will attract outside investment and increase the competitiveness of the region. He believes IG Metall's message that if eastern German workers are to get lower wages they will have to be second-class citizens. "IG Metall says a low-wage economy would amount to exploitation, that we would be treated

as second-class citizens, with a second-class economy, and as the poor eastern German cousins. We would then never catch up with western Germany," he adds.

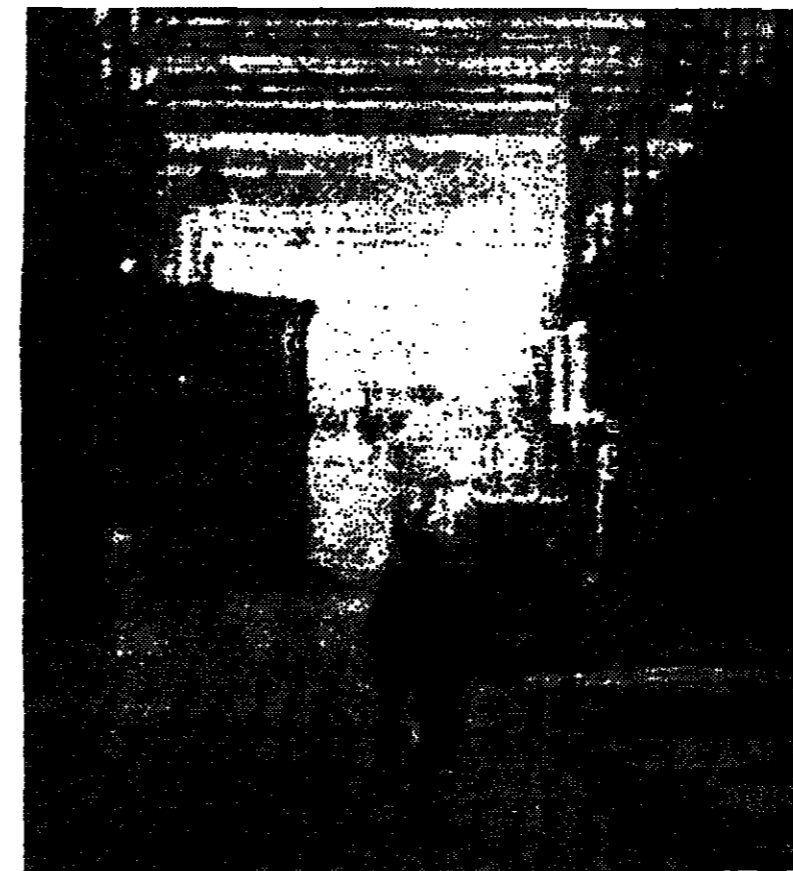
Down in the southern parts of eastern Germany, the heartland of the region's heavy industry which has borne the brunt of factory closures, workers are similarly confused about the aim of the strike.

Maria, who is 50, used to work at a local chemicals factory, just outside Leipzig. She now sells souvenirs in the Nikolai church, the meeting place of the opposition groups which helped bring about the fall of the Berlin Wall in November 1989.

As the strains of a Bach fugue echoed through the church, Maria explained her opposition to the strike. "We - the ones [easterners] - have no say. It is not we who are organising the strike. The wessies dominate the unions and the employers groups here. It was here, in this church, where we found our voice back in 1989. Today, we have no voice." What bothers Maria most is the fact that the "wessies" are not trusted. "Whenever we speak out, even about the strike, they (western Germans) patronise us by reminding us of our past, and how much money western German taxpayers are spending on eastern Germany."

Some of Maria's nieces and nephews have already migrated westwards. "They don't want to come back. They don't want to know about the place where they were born. They hardly send a postcard," she says.

But Manfred, a good-humoured 23-year-old young construction worker,



Strike-breaker in east Germany: workers are uncertain about benefits of action

decided to stay. "I used to work in a machine tool factory near Leipzig. It is now closed. I thought about leaving. But this is my home. I found work. Had the union asked me to strike, I would have said No. What gets me is that the union says we should have the courage to strike. Why? To help the employers and unions play out some stupid power game here in eastern Germany? The wessies will soon start blaming us for the strike. They have organised it. Not us."

The feeling that the east Germans have not been able to voice their real feelings about the strike was echoed by Horst, 33, who lives in east Berlin.

Unlike many of his friends who commute to west Berlin, or western Germany, Horst borrowed money and set up an electronics store not far fromCheckpoint Charlie. "Don't talk to me about Steinkühler and his boys. What are they trying to do to us?" he asks.

"I am very angry about the strike. It will deepen the psychological gap between the two Germanies. We have to build this country together. Sometimes I think Steinkühler wants to keep us divided. We don't need a strike and further job losses. We need success stories. Our self-confidence would grow. We would find our voice. Then we might be treated as equals."

## Care on African debt relief

From Mr Karl A. Ziegler.  
Sir, Oxford's overseas director, Stewart Wallis ("Africa needs new economic medicine", April 6) would be better off continuing to encourage private donations in support of Oxford's excellent famine-relief and other developmental work in Africa.

The charity is right to expose failed public-sector strategies, but compounds the problem by urging Group of Seven nations to throw more money and unconditional debt forgiveness at often corrupt and unaccountable ruling elites.

After recent elections in Angola, Liberia, Ghana, Zambia and Kenya, most government officials have not

improved their moral behaviour. Transparency and accountability are still absent. Flight capital represents up to 80 per cent of national GDPs, according to most recent World Bank statistics.

G7 nations should link long-term amortised debt forgiveness with demands for tightly monitored, ongoing accountability by African governments. Forgiving the debts of miscreant ruling elites will not help Africa's poorest people.

Karl A. Ziegler,  
The Centre for Accountability and Debt Relief,  
6 Bradbrook House,  
Kimmerston Street,  
London SW1X 8EL

## Silver lining of Nadir's departure

From Mr David Lang.  
Sir, Your leader on Mr Asil Nadir's departure ("Jumping bail", April 6) takes a too gloomy view. Having regard to earlier trials, it was always reasonable to assume that Mr Nadir's prosecution would go the same way. That the almost inevitable fiasco has occurred

sooner rather than later may cast a cloud over the Temple but UK taxpayers will benefit from the silver lining. At least another £30m will be saved and there is even a prospect of a rebate of £3.5m!

David Lang,  
6 Cornhill Road,  
Dorchester, Dorset DT1 1RT

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL.  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Schools must be subject to short external tests

From Lord Skidelsky.

Sir, Professor Paul Black's letter ("Effective learning and accuracy in school tests", May 4), written in reply to my article on testing (April 29), convinces me I was right to call the Black Report on Assessment and Training (the TGAT Report as it is known) "utopian". Prof Black writes that "short external tests are likely to give unreliable results". This is simply not true. However reliability is

defined, many standardised number and literacy tests have very high reliability ratings. There is always bound to be a small element of misclassification. But has Prof Black thought of comparing the reliability of standardised tests with the variability of "classroom assessments by teachers", and the cost in terms of external audit of controlling such variability?

Prof Black's second argument that "short and appar-

ently simple" tests cannot measure all "important outcomes of learning" is correct. But would he not agree that many important outcomes of learning cannot and should not be tested? Would he not accept the conclusion of Allison Wolf of the Institute of Education, University of London, in her paper Assessment Issues and Problems in a Criterion-Based System, that criterion-referencing, of which he has been an ardent champion, leads to

"atomised objectives in a forest of verbiage"? Isn't that what has happened to the government's tests?

My conclusion stands: let teachers test as they please, according to Prof Black's principles if they wish. But let there be "short external tests" to measure the performance of schools.

Robert Skidelsky,  
Social Market Foundation,  
30 Queen Anne's Gate,  
London SW1 9AA

## Union and League: a north-south divide in a game with two halves

From Mr Allan Rogers.

Sir, It is a pity that John Hopkins in his comparison of Rugby League and Union writes on the basis of his knowledge of Union. ("Two codes, one language", May 1). To say that Jonathan Davies is arguably the most complete footballer of his time is rubbish

and could only come from a Union fan. At Wigan several players have outperformed him all season - has he never heard of Edwards, Bell, Botica, and the new rising star Jason Robinson who is still only 18. When talking about support, no Union club exceeds Wigan, where the season's average is

14,752. Other clubs regularly exceeding the 6,000-8,000 gates mentioned by Hopkins, are Leeds, with an average of 11,527 spectators and St Helens, 8,931.

If Hopkins thinks he could get consolation at Wembley's Rugby League final for failing to get in to Twickenham he is

in cloud-cuckoo land. Since Wigan made it their second home in the mid-1980s, it has been a sell-out. We don't need to be patronised by southern-based Union supporters with a hankering for our highlight.

Allan Rogers,  
244 Bradley Fold Road,  
Ainsworth, Bolton BL26QP

## Royal Ballet in decline

From Mr M D Varcoe-Cocks.

Sir, In his piece on the Royal Ballet's Don Quixote ("A Don without redemption", April 28), your ballet critic Clement Crisp has written the most devastating review of a production by a leading company that I have ever seen.

As a regular - but ever less regular - visitor to the Royal Ballet since 1968, I believe this production is a crowning confirmation of the shameful slide in the company's reputation.

I have friends in several foreign companies who routinely go to performances by other companies as they travel the world but who consider a visit to the Royal Ballet a waste of time. I am encouraging them to see the new Don Quixote but for all the wrong reasons.

The miserable paucity of the repertoire and the pitifully unimaginative choice of choreographers make the current Royal Ballet the also-rans of the ballet world.

That audiences are close to full capacity is no indication of high standards. If New Yorkers can fill 7,000 seats at two Lincoln Centre theatres in one

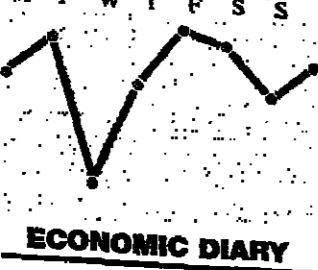
evening, it should not be difficult to fill Covent Garden's 2,000.

During the next 10 days my travels will give me the opportunity to see the Royal Danish Ballet, the Royal Swedish Ballet, New York City Ballet and American Ballet Theatre. I confidently expect that each of these performances will contain more drive, enthusiasm, style and varied repertoire than the last five years at Covent Garden put together.

The Royal Ballet used to be a national treasure and in most other countries would be treated as one. This week's announcement from Covent Garden that there will be more opera performances and less ballet (with an even duller repertoire), simply because opera tickets bring in more money, is final proof that the ballet company is considered a very poor second to the opera company and that artistic achievement is less and less important.

Michael D Varcoe-Cocks,  
5 Brackenbury Road,  
London W6 0BE





ECONOMIC DIARY

**TODAY:** Algerian Head of State Ali Kafi to address nation.

**MONDAY:** Civil and Public Services Association conference in Brighton (until Friday). Witness due to give evidence relating to Ministry of Defence Scott inquiry on export to Iraq. Dalai Lama meets Archbishop of Canterbury. Credit business figures (March); producer price (April). EC foreign ministers meet in Brussels: agenda includes EC-US relations. EC telecommunications ministers meet in Brussels. UK producer prices, West German inflation.

**TUESDAY:** UK housebuilding (March). West German retail sales. US Treasury auction. United Newspapers AGM.

**WEDNESDAY:** Scottish Conservative conference in Edinburgh (to Friday). Environment secretary Michael Howard launches Chartered Building Company Scheme. Dalai Lama meets Foreign Secretary Douglas Hurd in London. News conference on Serious Fraud Office annual report in London. New Zealand Prime Minister Jim Bolger begins two-day visit to Japan. Guardian Royal Exchange AGM. Body Shop Final Results. West German producer prices. US Treasury auction - 10 year bills.

**THURSDAY:** Details of employment, unemployment, earnings, prices and other indicators. British Telecommunications Final Results. Swiss wholesale prices. US consumer prices. US retail sales. US Treasury auction - 30 year bonds. West German wholesale prices.

**FRIDAY:** UK First quarter insolvency statistics. Swiss trade figures. Prime Minister John Major speaks at closing rally at Scottish Conservative party annual conference. Result announced of ballot of rail union RMT members on industrial action. Informal meeting of ministers responsible for the EC internal market in Vejle, Denmark. President Mitterrand meets Greek President Constantine Karamanlis and Prime Minister Constantine Mitsotakis during one-day visit. Pearson AGM. Burmah Castrol AGM.

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COMMODITIES WEEK IN THE MARKETS

Copper prices driven to fresh lows

THE COPPER market was down in the dumps again this week as Chinese sellers returned to better prices to 54-year lows. At the London Metal Exchange the three months delivery contract closed yesterday at \$1,128.75 a tonne, down \$80.75 on the week and \$300 from the beginning of April - and some dealers were talking of a further 20 per cent slide before the present bear market has run its course.

"The market was too high for too long and now will probably go too low for too long," one trader told the Reuters news agency.

Mr Stephen Briggs, analyst at the Metals and Minerals Research Services consultancy, explained that speculative activity and nervousness about possible supply disruptions had until recently been keeping copper prices high in defiance of the fundamentals. "Copper producers have been making lots of money when in their cyclical business they should have been losing money," he said.

The high prices have encouraged the commissioning of new capacity at a time of slack demand, which has resulted in persistent overproduction. Stocks in LME-registered warehouses this week reached 400,000 tonnes, compared with 280,000 tonnes 12 months ago and 210,000 in April 1991, which at the time was regarded as far too high.

In yesterday's issue of its daily Commodity Report, GNI, the London trader, suggested that combined LME and New York Commodity Exchange stocks, at present just over 500,000 tonnes, could by the end of this year "be approaching 1m tonnes". But it thought sellers might become more cautious in the nearer term in view of the possibility of production disruption at Chile's Chuquibambilla mine, where wage negotiations are scheduled to begin later this month. Meanwhile LME traders noted that there was concern over production problems at the El Teniente mine, also in Chile, where recent rain is expected to force a five-day closure.

The depression in the zinc market is of much longer standing and unremunerative prices have prompted production cuts by several companies. The trend was continued this week with the news that output was to be pared further at Noranda of Canada and Falconbridge, its 50 per cent owned associate. Having already decided in February on a cut in combined production to 530,000 tonnes this year from last year's 573,000 tonnes, the two companies announced on Wednesday that the figure had been reduced again to 500,000 tonnes.

The news sparked a brief flurry in the market, but gains were quickly eliminated as the cut was measured against LME stocks, which rose by more than 20,000 tonnes in the past two weeks to 448,000 tonnes. A renewed rally on Thursday, encouraged by news of a force majeure declaration because of a labour dispute at Westmin Resources Myra Falls mine in British Columbia, was snuffed out equally quickly and at last night's close three months zinc was quoted at \$1,037.50 a tonne, up just \$2 on the week.

The prospect of work stoppages resulting from US labour negotiations beginning at the end of this month encouraged buyers in the aluminium market. Sentiment was undermined by copper's weakness but, having absorbed bouts of speculative selling, the market resumed its upward trend yesterday to close at \$1,151.50 a tonne for three months metal, up \$14.25 on the week.

At the London bullion market gold weathered an early wave of profit-taking following last week's upsurge before moving on to break overhead resistance at \$356.50 on the way to a nine-month high of \$367.50 a troy ounce, up \$2.05 on the week. But hopes of a move to \$360 an ounce appeared to be fading. "There's been some buying around the \$358 area and if it got through that, it would then hit key resistance at \$360," one trader told Reuters. "But I feel a retracement to around \$352/\$353 is more likely."

Silver was fixed yesterday morning at a fresh 21-month high of 436.25 US cents an ounce, but it slipped back to close unchanged on the week at 435.50 cents. "Both gold and silver have made good recoveries but will need a boost to surpass strong overhead resistance," GNI suggested.

New York traders turned against coffee early in the week after hearing that US certified stocks, which they had expected to show another fall, had risen by about 15,000 bags (60 kg each). With stocks elsewhere also high and a period of seasonally slack demand approaching sellers had the edge for the remainder of the week, which ended with London's July robusta contract \$30 down on balance at \$874 a tonne.

New York raw sugar futures also surrendered some of their recent gains with the July position reaching 12.25 cents a lb in late trading yesterday, down 0.57 on the week.

Oil prices consolidated above \$19 a barrel this week as sentiment was aided by demand from US refineries for North Sea crude and a forecast by the International Energy Agency, the Organisation for Economic Co-operation and Development's oil monitoring body, of a rise in second quarter demand. It expected the rise to amount to 500,000 barrels a day, or about 1.5 per cent, compared with the same period last year. In addition the IEA estimated that production by members of the Organisation of Petroleum Exporting Countries fell to 24.1m b/d last month from 24.4m b/d in March.

FT-ACTUARIES FIXED INTEREST INDICES									
PRICE INDICES					AVERAGE GROSS REDEMPTION YIELDS				
Index	May 7	May 6	May 5	May 4	Index	May 7	May 6	May 5	May 4
10 Year Govt	127.31	127.08	127.08	127.08	10 Year Govt	7.11	7.15	7.22	7.24
5 Year Govt	145.72	145.62	145.62	145.62	5 Year Govt	6.07	6.08	6.07	6.07
Over 15 years (9)	155.89	155.77	155.77	155.77	Over 15 years (9)	8.30	8.30	8.30	8.30
10 Year Local	174.62	174.21	174.21	174.21	10 Year Local	7.40	7.44	7.58	7.58
5 Year Local	142.43	142.18	142.18	142.18	5 Year Local	6.46	6.46	6.46	6.46
Over 15 years (9)	174.62	174.21	174.21	174.21	Over 15 years (9)	8.30	8.30	8.30	8.30
10 Year Govt	127.31	127.08	127.08	127.08	10 Year Govt	7.11	7.15	7.22	7.24
5 Year Govt	145.72	145.62	145.62	145.62	5 Year Govt	6.07	6.08	6.07	6.07
Over 15 years (9)	155.89	155.77	155.77	155.77	Over 15 years (9)	8.30	8.30	8.30	8.30
10 Year Local	174.62	174.21	174.21	174.21	10 Year Local	7.40	7.44	7.58	7.58
5 Year Local	142.43	142.18	142.18	142.18	5 Year Local	6.46	6.46	6.46	6.46
Over 15 years (9)	174.62	174.21	174.21	174.21	Over 15 years (9)	8.30	8.30	8.30	8.30

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES  
Payroll weakens the dollar

THE DOLLAR lost about 1/4 a penny against the D-Mark yesterday lunchtime after the latest US employment report turned out to be slightly worse than expected, writes James Blitz.

However, after falling to a low of DM1.5675 against the D-Mark on the day, the dollar bounced back as longer-term investors were attracted by the currency's cheapness.

Dealers were also reluctant to take long D-Mark positions at the end of a week which has seen the release of extremely poor indicators on the German economy. They pushed the dollar up nearly 1/4 a penny to close on the day at DM1.5685 against the German currency.

The headline US non-farm payroll figure for April saw a rise of 119,000 on the month, compared to market expectations of a 148,000 rise.

Mr Jeremy Hawkins, economic adviser at Bank of America, said that the drop in

manufacturing employment by 68,000 on the month was a particularly depressing feature because manufacturing growth had been thought to be leading the US recovery.

However, the dollar's losses were mitigated by this week's particularly poor performance in the German economy.

The March figure for industrial orders in Germany was a particularly worrying indicator this week, dropping 3 per cent on the month.

This background explains why sterling rose 1/4 pence against the D-Mark yesterday, finishing at DM2.4925, despite a defeat for the UK government's candidate in the Newbury by-election.

By contrast, the Swiss franc ended a good week on the soft side. The "Swissie" closed a little weaker at Sfr0.902 from a previous Sfr0.899.

The strength of the Dutch guilder and Belgian franc this week prompted central banks

to reduce interest rates for both of these currencies yesterday.

However, the guilder was still some 35 basis points above the D-Mark in the exchange rate mechanism grid yesterday, threatening to breach the 50 basis point margin against the D-Mark set by the Dutch authorities.

The Danish krone slipped sharply against the D-Mark, however, with 10 days to go to Denmark's referendum.

The trigger for yesterday's decline was an opinion poll showing that the number of people planning to vote "No" in the referendum had increased from 33 per cent to 39 per cent.

The Danish currency slipped to DKr3.845 against the D-Mark from DKr3.845 on Thursday. Inside the ERM grid, the krone's divergence against its central rate slipped to 42 per cent points.

£ IN NEW YORK

	May 7	May 8	May 9
1 month	1.5730-1.5740	1.5730-1.5740	1.5730-1.5740
3 months	1.5730-1.5740	1.5730-1.5740	1.5730-1.5740
6 months	1.5730-1.5740	1.5730-1.5740	1.5730-1.5740
12 months	1.5730-1.5740	1.5730-1.5740	1.5730-1.5740

STERLING INDEX

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

CURRENCY RATES

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

OTHER CURRENCIES

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

FORWARD RATES AGAINST STERLING

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

MONEY MARKETS  
6 per cent forever

CHEAPER day-to-day funds in the sterling interbank market continued to force slight reductions in short-dated interest rates yesterday, writes James Blitz.

However, dealers in both the cash and futures markets ended the week in the same frame of mind as they had been at the start of it: deeply uncertain whether base rates are going up or down.

UK clearing bank base lending rate 6 per cent from January 26, 1993

With both the June and September short sterling contracts closing at 94.00 last night, the market was effectively saying that 6 per cent base rates are here until late autumn. That view matched the position in the cash market, where 3-month money closed at 5 1/2 per cent, helped by the speedy removal of a £1.7bn shortage.

Base rates could be reduced again before the year is out. There have been recent reductions in the number of people out of work in the last two months, but there is some uncertainty over whether these figures reflect an underlying trend.

Moreover, if sterling continues to strengthen on the foreign exchanges, the government might come under

pressure to reduce rates to help export growth and stimulate the recovery.

But the prospect of a rise in rates is also being discussed across the market. The government may be able to keep inflation just about within its 1.4 per cent target band this year, but the chances of it getting back to the bottom half of the target band by the end of this parliament are not good.

The awful truth for dealers may be that 6 per cent base rates are unchanged for a long time.

Mr Gavin Davies, chief UK economist of Goldman Sachs, has published a chart predicting that 3-month LIBOR will be unchanged between now and the middle of 1994.

Mr Davies believes that base rates could rise if there were any depreciation in sterling because of adverse trade figures. But he also thinks that a tightening of monetary policy would increase the savings rate, something that could critically hamper the recovery.

In his view, real personal disposable income will remain quite sluggish for some time because of house price falls and the threat of tax rises. A drop in the savings rate is therefore a critical element in the country's emergence from recession.

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In his view, real personal disposable income will remain quite sluggish for some time because of house price falls and the threat of tax rises. A drop in the savings rate is therefore a critical element in the country's emergence from recession.

EMS EUROPEAN CURRENCY UNIT RATES

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

POUND SPOT - FORWARD AGAINST THE POUND

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

EURO-CURRENCY INTEREST RATES

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

EXCHANGE CROSS RATES

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

FT LONDON INTERBANK FIXING

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

FINANCIAL FUTURES AND OPTIONS

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

CHICAGO

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

BRITISH BOND (GBP)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

SWISS FRANK (CHF)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-DOLLAR (DEM)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-STERLING (GBP)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-YEN (JPY)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-DM (DEM)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-DM (DEM)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-DM (DEM)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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FINANCIAL FUTURES AND OPTIONS

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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100	100.00	100.00	100.00

CHICAGO

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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BRITISH BOND (GBP)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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SWISS FRANK (CHF)

	May 7	May 8	May 9
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100	100.00	100.00	100.00
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THREE-MONTH EURO-DOLLAR (DEM)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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THREE-MONTH EURO-STERLING (GBP)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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THREE-MONTH EURO-YEN (JPY)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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THREE-MONTH EURO-DM (DEM)

	May 7	May 8	May 9
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THREE-MONTH EURO-DM (DEM)

	May 7	May 8	May 9
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THREE-MONTH EURO-DM (DEM)

	May 7	May 8	May 9
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FINANCIAL FUTURES AND OPTIONS

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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CHICAGO

	May 7	May 8	May 9
100	100.00	100.00	100.00
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100	100.00	100.00	100.00
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BRITISH BOND (GBP)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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SWISS FRANK (CHF)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
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THREE-MONTH EURO-DOLLAR (DEM)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-STERLING (GBP)

	May 7	May 8	May 9
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00
100	100.00	100.00	100.00

THREE-MONTH EURO-YEN (JPY)

18,798,454,082	+	187,562,598
11,545,938	+	2,497,402
6,810,000,000	+	190,000,000
11,015,100		
9,834,133,728	+	977,882,684
7,184,851,172	-	787,882,684
6,810,000,000	+	190,000,000





**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

[illegible]

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**FT MANAGED FUNDS SERVICE**



**NEW JERSEY (REGULATED) (4-1)****FT MANAGED FUNDS SERVICE**

**Person Holding & Pierson**

[illegible]

Global Equity F	7.77
Class A	7.22
Class B	6.32

[illegible]

## OTHER OFFSHORE FUNDS

	Price	Price	Change
<b>ATSP Management Ltd</b>			
<b>Philippines Long Term Equity Fund</b>			
NAY Feb 25	526.77		
<b>Abstract Fund Mgrs (Guernsey) Ltd</b>			
<b>The New Asia Fund Ltd</b>			
NAY US\$ (closed)	5		
NAY US\$ (open)	5.03		

Adverse	DM123.58	123.78	---
Fondak	DM60.20	63.21	---
Fonda	DM50.24	52.75	---

Active Shareholder Growth Ed (Common) Ltd

Alliance Capital			
International	\$16.30	17.25	
International Class B	\$16.02		
Overseer	\$21.34	22.56	
Overseer Class B	\$20.93		
Global Street Cap.	\$10.35	10.65	
Global Street Cap Class B	\$10.08		
Conversion Pfd	\$5.30	5.61	

[illegible]

## WORLD STOCK MARKETS

## US MARKETS

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CME Energy Corp. . .	22

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1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	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**Taken from**

## INDICES

NEW YORK						
DOW JONES						
	May 4	May 5	May 6	May 7	1993	
					1993	1994
Automobile	3441.00	3448.10	3448.19	3448.46	3478.01 (1994)	3501.10 (1994)
Auto Parts	107.43	107.49	107.51	107.44	103.21 (1994)	103.40 (1994)
Air Transport	1580.35	1575.71	1553.04	1697.54	1638.16 (1994)	1435.44 (1994)
Utilities	242.30	241.98	241.36	238.90	241.74 (1994)	241.74 (1994)

DJ Ind. Div. Hys 307.57 (3478.01) Hys 3418.33  
 Div. 1 Hys 3456.23 (3456.57) Hys 3438.

STANDARD AND POOR'S						
	May 4	May 5	May 6	May 7	1993	
					1993	1994
Automobile	542.26	444.64	444.05	442.46	434.20 (1993)	439.05 (1993)
Auto Parts	448.21	441.61	398.03	397.04	394.49 (1993)	405.44 (1993)
Air Transport	432.2	433.38	435.67	433.3	435.67 (1993)	388.49 (1993)
Utilities	246.22	245.72	245.63	244.74	241.28 (1993)	241.28 (1993)
Div. 1 Hys	448.21	441.61	398.03	397.04	394.49 (1993)	405.44 (1993)
Div. 2 Hys	448.21	441.61	398.03	397.04	394.49 (1993)	405.44 (1993)

completion	May 7	May 15	May 24	May 31
<b>LCW</b>				
AUSTRALIA				
Oil Australia (11/78)	1083.3	1191.9	1874.7	1889.6
Oil Witing (8/78)	704.4	757.4	888.8	888.8
<b>AUSTRIA</b>				
Drill Naltes (3/72/84)	352.30	321.7	326.8	321.7
Tinied Naltes (2/79)	770.33	770.25	784.28	784.28
<b>BELGIUM</b>				
Belgium (2/79)	1182.91	1188.84	1176.91	1181.7
<b>GERMANY</b>				
Deinhard (5/78)	6	300.52	276.92	236.2
<b>FINLAND</b>				
Helix Gassid (3/72/80)	1221.33	1200.13	1200.13	1200.13
<b>FRANCE</b>				
Oil Gassid (3/72/84)	0	533.51	532.24	532.24
Oil C. (1/72/80)	187.87	1288.48	1828.34	1828.34
<b>GREECE</b>				
Drill Alenay (1/73/85)	838.25	841.81	838.25	844.81
Commodities (1/73/85)	181.95	1822.4	1822.4	1801.7
Oil (1/73/85)	1611.98	1612.8	1612.8	1612.8
<b>HONG KONG</b>				
Kong Kong Drill (2/78/84)	6780.34	6785.92	6825.33	6827.7
<b>IRELAND</b>				
Oil (1/72/80)	419.17	428.78	428.78	428.78

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95	+8	Chungking Pacific	10.90	—30
410	+5	China Gas	26.80	+60
1,950	+50	China Mobile	26.25	+60
1,000	+1	China Pacific	18.40	+20
263	+1	China Resources	18.40	—20
1,000	+1	China Telecom	18.40	—20
2,320	+40	Dairy Farm Int.	11.60	+10
1,790	+20	Delta Air Lines	3.67	+30
1,790	+20	Grand Eagle	3.67	+30
1,790	+20	HSBC	18.70	—50
1,130	+10	Galaxy	18.70	—50
1,130	+10	Golden Dragon	11.80	—10
1,130	+10	Wing Hang Bank	57	—1
595	+5	Wing Hang Bank	57	—1
		Henderson Int.	3.87	+65
		Henderson Int.	3.87	+65
420	+2	Hongkong Land	12.40	+10
320	+7	HK & China Gas	12.40	+10
		HK & Shanghai Hotel	7.45	+20
		HSBC	18.70	—50
		HK Electric	17.80	—10
		HK Land	13.10	+10
		HSBC & T.A.	11.40	+10
		HK Telecom	10.30	+10
		Hutchison	4.57	+18
		Hutchison Wha.	20.40	+18
		Hyatt Int.	35.10	+20
1,140	+10	Imperial Tobacco	7.10	+15
324	+14	Indesat	7.10	+15
520	+20	Jardine Math.	5.20	+30
2,480	+10	Jardine Strategic	22.40	—30
2,480	+10	Johns. & Son	11.80	—10
1,320	+10	Maritime	8.80	+20

Apr 30

NEW YORK STOCK EXCHANGE	3.04	3.01	3.04	
	May	Apr	Mar	year
% P Industrial div yield	2.52	2.56	2.54	
% P Ind. P/E ratio	20.22	20.77	20.92	

NEW YORK STOCKS					TRADING ACTIVITY				
	Stocks traded	Closing prices	Change on day		1 Volume	Mar	Apr	May	
NYSE	7,184,100	\$12	-	New York	254,308				
Amex	6,002,000	10 1/4	-	Chicago	18,612				
OTC	4,691,200	21 1/4	1/4	NASDAQ	10,515				
Amst	6,052,000	18	-	NYSE					
Oslo	3,631,000	49 1/4	+1	NYSE					
Stocks	3,081,000	10 1/4	-	Amex					
OTC	3,077,300	112 1/4	-	OTC					
Stocks	2,666,000	27 1/4	-	Amex					
OTC	3,372,100	26 1/4	-	OTC					
Stocks	2,186,300	37 1/4	-	Amex					

Apr 23      Apr 16      year

79							
(approx.)							
1	Malay (1954/6)	1381.78	2052.03				
2	Taiwan (1958/61 A/19/6)	1026.77	1811.33				
3	2nd Japan (1958/61)	2182.42	2198.57				
4	Malaysia						
5	RUE Composite (1949/6)	712.85		708.48	700.00		
6	NETHERLANDS						
7	CR 1949/50 (1958)	326.9	325.4	325.9	322		
8	CR 1949/50 (1st 1953)						
9	NORWAY						
10	2nd (1958/61)	812.88	827.38	822.45	814.2		
11	Philippines						
12	464 294.877						
13	1st 17.054						
14	50 285.765						
15	1958/61						
16	2,558						
17	1,263						
18	561						
19	86						
20	86						
21	1958/61						
22	SOUTH AFRICA						
23	5th GSE (1997/9)	1483.97	1477.8	1455.5	1488.1		
24	1958/61	630.97	636.0	630.0	630.0		
25	SOUTH KOREA						
26	Korea GSE 1st A/19/6	703.65	710.9		719.8		

## CANADA

TORONTO	May 8	May 5	May 4	May 3	1997 HIGH
Fuels & Minerals	2680.24	2917.53	2907.08	2801.08	2972.25 (9/2)
Composits	3794.74	3768.90	3778.20	3773.47	3794.74 (6/5)
INDUSTRIAL Portfolio	1890.04	1892.49	1877.10	1882.82	1890.04 (9/3)

The values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10.  
 \* 1997 = January, April, May, June, July, August, September, October, November, December.

	SWEDEN				
	Information Gel (1/2/97)	1088.7	1059.0	1052.1	1047.1
	SWITZERLAND				
	Swiss Bank Int (1/12/98)	958.3	988.7	985.0	980.0
	SBC General (1/4/97)	742.1	741.07	740.5	738.0
	TAIWAN**				
	Wingpan Price (2/10/98)	4573.42	4452.48	4448.32	4448.14
	THAILAND				
	Bankplu SET (2/14/97)	845.38	845.13	845.1	826.11
	WORLD				
	M.S. Capital Int'l (1/1/98)	562.0*	562.4	562.2	564.6
	Euro Top-100 (2/5/98)	564.50	567.97	566.13	565.0

108.75 (77)	673.10 (261)	Harada Now	364	+14
		Harada S	1,033	+70
		Harada Motors	1,030	-10
		Harada Sales	570	+25
745.40 (14)	904.80 (117)	Harachi Zosen	570	+25
739.20 (14)	678.70 (117)	Hokokado Steel Pwr	2,590	-10
		Hokokado Steel	2,590	-10
		Hokokado Steel	2,590	-10
591.33 (74)	308.43 (311)	Hokuriku Ry Pwr	2,140	-10
		Honda Motor	1,410	-10
		Honda Motor	1,410	-10
		Honda Motor	1,410	-10
598.44 (37)	628.10 (145)	Hosoda Food Ind	2,240	+30
		Hoya Corp	1,740	-10
955.20 (15)	660.00 (131)			
746.47 (224)	652.73 (131)	Hitachi	559	+48
		Hitachi	559	+48

[illegible]

Index	1994	2000	Index	1994	2000
Indonesian	13.94	-50	DBS	11.60	+18
Malay	12.83	-71	Fraser & Neave	11.20	+10
Philippines	0.78	-103	Gooding	11.20	+10
Singapore	12.12	+09	Gohar Per Assurance	10.70	+80
Thailand	14.20	-09	Hatfield	3.28	-06
United Kingdom	1.16	-14	Indochina	5.78	+02
United States	2.60	+06	Kong Heung	5.78	+02
US Airways	8.30	-03	OCBC	7.18	-30
US Bank	8.44	-03	QIB	7.18	-30
US Bank	20	+03	S'pore Air Free	8	+02
US Bank	20	+03	Singapore Press	10.35	+06
US Bank	0.23	-03	Singapore Press	10.35	+06
US Bank	0.84	-01	Standard Chartered	3.02	+02
US Bank	3.58	-04	Taiwan Bank	2.46	+03
US Bank	3.58	-04	UOL	7.95	-05

[illegible]

Yamaguchi Yusen	949	+50	Sumitomo Light	+2
Inac	1,190	+50	Suntomo Mar	-16
Indust Bank Japan	2,690	+20	Suntomo Mar	+8
Ishida & Co	410	-1	Suntomo Mar	-8
Ishihara Sangyo	2,070	+20	Suntomo Mar	+34
Ishihara Sangyo	422	+7	Suntomo Mar	-20

883	+14	FAI Insurances	1.14	
890	-10	Fairfax	0.47	
and 354	+4	Fletcher Crystals	2.12	+04
1,080	+10	Fletcher Crystals	2.01	-04
777	+16	Festona Brewing	1.19	-01
1,240	+30	Gen Prop Test	2.39	+07
783	+2	GEO Australia	2.80	
		GEO Australia	2.80	

Prices supplied by Telekurs

NOTES: - Prices on this page are as quoted by the individual exchanges and are subject to change without notice. All prices are in US dollars unless otherwise stated. (1) = one dollar, (10) = ten dollars, (100) = one hundred dollars, (1000) = one thousand dollars.

10/10/1964





LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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MARKETS

London

# Local boy makes good: official

By Peter Martin, Financial Editor

The FT has received the following transcript, which appears to be a speech by a local dignitary in a small town in northern Cyprus.

**F**ELLOW Citizens, we gather today to welcome back to his homeland our country's most distinguished businessman, Mr Asil Nadir. His return fills our hearts with joy. Yet again we have triumphed over the bungling and incompetence of our former colonial oppressors. It is splendidly ironic that Asil Nadir's persecutors should carry the name of the Serious Fraud Office, when the world knows they are about as serious as the Keystone Kops.

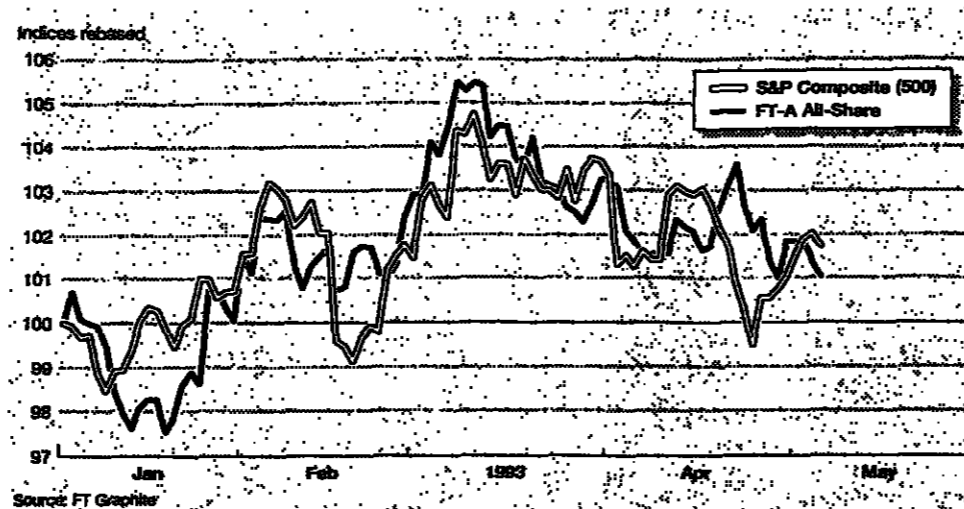
It would be wrong to let this occasion pass, however, without devoting a few moments' thought to the deeper issues that underlie Asil's presence here among us.

I refer, of course, to the lamentable performance of the London stock market. Not only has the £3bn at which Polly

Peck was valued in 1990 disappeared into thin air - something which can only be attributed to the machinations of those faceless conspirators known as "the institutions" - but there have also been more recent unhappineses.

Since the beginning of the year, shares in Spring Ram have dropped by 35 per cent, those of Fisons by 31 per cent, and those of Tiphook by 30 per cent, to mention only three of the worst performers among those rogues gallery known as the FT-SE 100. All three of these have undergone misfortunes of various sorts - accounting upsets at Spring Ram, continued product problems at Fisons, and accusations that there might have been insider trading in the run-up to a profits warning by Tiphook.

To us, perhaps, those are little-known companies in a far-off land. Others, however, with reputations that extend as far as Larnaca, have also suffered. Glaxo is down 25 per cent, Boots down 22 per cent



and Sainsbury down 20 per cent. This has happened at a time when the random ragbag of numbers which pass for British official statistics has indicated an end to the recession of which Asil Nadir was so prominent a victim.

It is scarcely surprising, perhaps, that our brother Asil chose to turn his back on Britain in the week when the FT-SE 100 Index has dropped another 26.8 points, falling on three successive days, to close the week at 2733.7, only 3 per cent higher than a year ago.

Nor is that all. Sterling, which managed a pitiable recovery from its lows of late February, has failed to make a decisive crossing of the DM250 level. As you know, London is a primitive place, where the necromancers they call currency analysts are given a credence way beyond their predictive powers. We know better than to trust such foolishness. But for what it is worth, some of these soothsayers now believe that sterling's forward momentum has faded, and that the prospects of further appreciation are limited, in the short term at least.

Similarly, long-term interest rates have continued to rise. The yield on the 10-year government bonds known by the sadly tarnished name of "gilts" is still 8.08 per cent, showing only the most minuscule improvement over the previous week. The outlook for short-term interest rates is also uncertain, with many people fearing that a summer pickup in inflation may force a rise, even though such rates are falling elsewhere in Europe.

Perhaps the dire performance of the Major puppet regime in Thursday's so-called council elections will lead the government instead into a panic rush to cut rates in the next few weeks. Note the way in which London share prices have broken away from the pattern established in Wall Street, that far more important market across the sea. Since late April, US share prices have moved upwards; those in the UK have resolutely refused to take such a path, continuing the scarcely broken downward established in early March.

In short, our brother Asil has little to regret in his heroic decision to leave a place that has caused him so much pain. Still, many of our fellow-countrymen remain trapped there, often by mortgages worth more than the north London houses on which they are secured.

Alas, that imprisonment may

linger. This week, I fear, has seen some signs that UK inflation may not rise as much as our imprisoned mortgage-holders might wish.

One such example: sun-cream, that vital commodity to all who visit our beautiful beaches, has become the subject of a price war between Boots, which supplies 47 per cent of UK demand, and Superdrug, which is prepared to surrender some profit in order to gain market share. Similarly, Direct Line, the Royal Bank of Scotland's low-cost insurance subsidiary, is taking its own price-war into other sectors of financial services. As long as such battles are at work, UK inflationary pressures are likely to remain lower than desired by those of our compatriots with mortgages to repay.

We salute our comrades, hostages to the British disinflationary process. And we express solidarity with all other such hostages, including those shareholders trapped by the forced levy known as the "rights issue". Yet again this week, innocent law-abiding citizens, wishing nothing more than to enjoy their dividends in peace, have been forced to send cash the other way, contributing £404m at the metaphorical equivalent of gunpoint to Royal Insurance's coffers. A further such ransom demand is on its way from Zeneca, the ICI subsidiary. Is this fair, fellow citizens?

It is not, surely, Asil Nadir deserves our praise and admiration for so decisively rejecting the tired moans of a discredited mercantile clique. We cheer his return among us, to enjoy in peace the fruits of his labours in foreign fields. Brother Asil, welcome home!

Hypo Foreign & Colonial has already achieved success in raising money with a unit trust that uses futures and options to achieve a 10 per cent return. It will be interesting to see whether this trust can achieve that level of income without losing capital. Save & Prosper is the latest to test ingenuity on the market with a "high income bond" which bears many similarities to a product launched by Accum last month.

The bond offers a choice of income levels - 8 per cent or 10 per cent, net of basic rate tax. These income levels are guaranteed. However, the capital value of the bond is dependent on the UK stock market. At

Serious Money

# Investing for income: consider the risks

By Philip Coggan, personal finance editor

**T**HE FINANCIAL services industry is becoming ever more ingenious at offering investors what they most seem to want - income.

Many investors have become used, in the high interest era of the early 1990s, income in to double digit percentages. This represents both a problem and an opportunity for the industry. The problem is that, with base rates at 6 per cent, and equities yielding 4 per cent, achieving a 10 per cent income is tough. But the opportunity is that, if a company can devise a way of paying 10 per cent, the world might beat a path to its door.

Common sense tells us that, by aiming for a higher income, you accept a higher risk. Normally, income comes at the expense of capital and indeed in some products, capital loss is automatically built into the structure.

It is possible, occasionally, to get round this difficulty by exploiting an anomaly in the market. The forthcoming investment trust from Ivory & Sims does so by making use of the £5,300 annual capital gains allowance to give investors tax-free income. (The trust does have its risks, however, of which more when it is launched.)

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worst, if the stock market falls, or fails to rise, over the next five years, the investor will receive 60 per cent of capital back (at the 8 per cent income level) or 50 per cent (at the 10 per cent level).

In effect, this will mean that the investor will have received income and capital payments equal to his or her original investment. This is the same "money back" offer which is made on most guaranteed equity bonds - just packaged in a different way. Of course, if all you did receive was your money back you would have lost out - both from the effects of inflation and from having missed the opportunity to invest elsewhere.

What investors really want, of course, is to get back all their original capital on top of the income. To achieve this, the stock market, in the form of the FT-SE 100 Index, would have to grow by 25 per cent over five years (on the 8 per cent option) or 60 per cent (on the 10 per cent option).

How likely is this? Save & Prosper analysed all the five-year periods from the start of January 1984 to April 1993 period (ie Jan 1 1984 to Jan 1 1989, Feb 1 1984 to Feb 1 1989 and so on). It found the 25 per cent growth was achieved on 88 per cent of occasions.

The higher growth rate of 60 per cent - needed to repay the capital of those who opt for the 10 per cent income level - was achieved on only 54 per cent of occasions. However, S & P offers a "lock-in" facility if the 60 per cent growth rate is achieved at any time over the five years. Over the 1984-1993 period, this increased the chance of reaching the hurdle rate to 67 per cent.

What happens if the stock market grows by more than zero, but less than the hurdle rate of 25, or 60, per cent? The investor would receive less than the original capital back, depending on the amount of growth. At the 8 per cent income level, if the FT-SE 100

index rose 12.5 per cent, the investor would get 80 per cent of the original capital back.

If the market grows by more than the hurdle rates over the five years, investors are not entitled to any of the excess. Nor do they benefit from FT-SE 100 Index yield; like most other guaranteed products, they return the capital growth of the index only.

An example may help. If you invest £10,000 and take the 10 per cent option, you will get £1,000 a year for five years. If the market falls over the period, you will be repaid £5,000. If it rises by 30 per cent, you will be repaid £7,500. If it rises by 60 per cent at any time, you will get £10,000.

Income can be paid quarterly or annually. The minimum investment is £2,500 (£5,000 for those who want quarterly income) and there are no additional fees. Higher rate taxpayers may face an additional tax charge, reducing the returns to 6.9 per cent or 8.62 per cent respectively. The offer runs from May 17 to June 25.

Is it a good deal? Only if the stock market does rise enough to pay back your original investment. Otherwise, you are merely turning your capital into income - and you can do that for yourself via the building society.

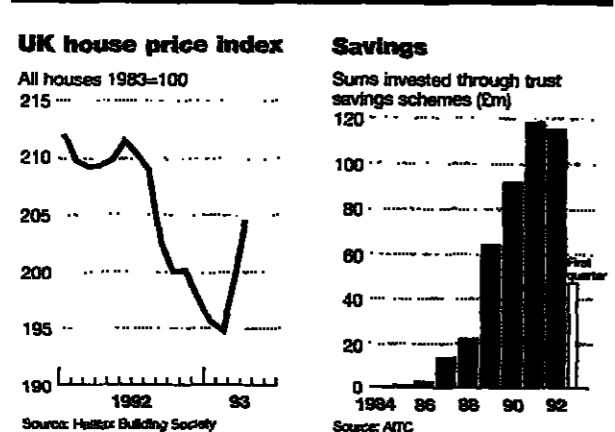
The chances of getting your money back are rather better than they were for some of the other products of this type - the Scottish Widows annuity/Pepp launched last year required a 13 per cent growth rate per annum to repay capital. On S & P's 8 per cent income option, the FT-SE 100 has to rise at a more modest 4.56 per cent per year. Put another way, FT-SE would have to reach 3500 by 1993, a not unreasonable target.

So retired basic rate taxpayers who want income might consider the product. But as with all the other attempts to market high income products, investors should buy only if they understand the risks.

HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	£/share	on week	High	Low	
FT-SE 100 Index	2733.7	-19.4	2957.3	2737.6	Political & funding worries
FT-SE Mid 250 Index	3109.5	-22.6	3154.7	2876.3	Following blue chips
BP	306 1/4	+14	312 1/4	225	Better-than-expected Q1 figures
Boots	434	-18	563	431	Suncare price war fears
Campari Int'l.	138	-40	292	120	Profits warning
GKN	452	-30	489	441	Analyst's forecast cut
Grand Metropolitan	429 1/4	+19 1/4	480	399	Brokers positive ahead of results
ICI	1243	-46	1297	1048	Nervousness ahead of rights issue
Micro Focus	2250	+200	3013	1988	New agreement with Microsoft
Pittengeriff	305	-87	403	263	Profits warning
Redland	492	+47	498	402	Kleinwort Benson upgrades forecasts
Royal Insurance	306	-12	332	256	£404m rights issue
Tomkins	223	-19	271	221	Acquisitions specialist leaves co
Vodafone	404	+27	434	367	Sharp increase in new subscribers
Volvo	368	-44	441	368	Chief executive resigns

AT A GLANCE



## House prices rose 1.6 per cent in April

House prices in the UK rose by a seasonally-adjusted 1.6 per cent in April, the largest monthly increase for more than four years, according to Halifax building society this week. This follows a 1.4 per cent rise reported by the society in March. The average price of a home at the end of April was £83,144, which was still 2.3 per cent lower than during April last year. Halifax said the figures "could be a sign that house prices may well start to increase earlier than most analysts have anticipated".

But Nationwide, the second largest building society, found only a modest rise in prices of 0.1 per cent in April, following a 1 per cent increase in March.

## Investment trusts tempt savers

Money flowed into investment trust savings schemes in the first quarter of 1993, with £48.14m invested, the highest total for a single quarter. The inflow came after investment into such schemes dipped slightly last year. Lump sum investments were mainly responsible, totalling £35.13m compared with £21.72m in the fourth quarter of 1992.

The number of regular savings accounts also increased, from 55,972 to 57,641, with the average investor contributing £71 per month.

## Cash trust from Scottish Widows

Scottish Widows is launching a cash unit trust. This will invest in bank, building society and local authority deposits, and will offer an initial gross yield of 5.385 per cent. This compares with the current yield on the Fidelity cash unit trust of 5.5 per cent.

There is no initial charge on the Scottish Widows trust; the annual charge is 0.5 per cent. The minimum lump sum investment is £500, or £30 for monthly savers. Scottish Widows says investors who withdraw money should receive a cheque within two days of selling their units.

## Mercury cuts trust charge

Mercury Fund Managers is reducing the initial charge on its Government Securities unit trust from 5 to 3 per cent; the annual charge remains at 1 per cent. The minimum lump sum investment is £1,000 or £50 monthly.

The trust invests in gilts and in government bonds of countries within the Exchange Rate Mechanism. It has an above average performance in its sector over one, three, five, seven and 10 years; the current yield is 7.3 per cent.

## New BES from Govett

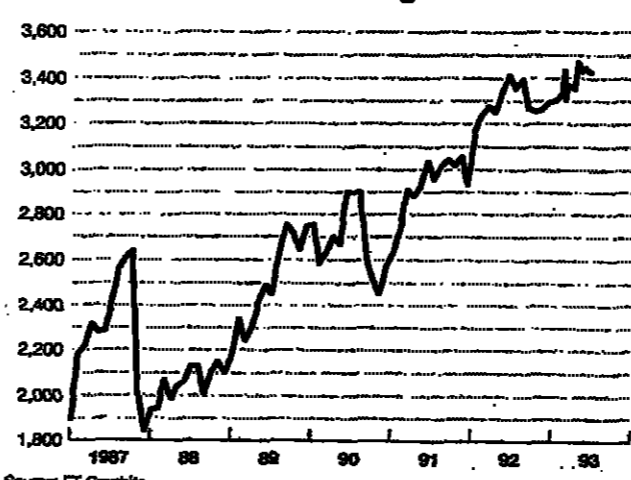
John Govett has launched an assured tenancy Business Expansion Scheme, Govett Assetbuilder IV. The scheme aims to raise £12.75m to develop a mill and surrounding properties in Ashton-under-Lyne. There is an option to sell the properties to the Sanctuary Housing Association at 117p in five years time; this equates to a 13.38 per cent per annum return for top rate taxpayers and a 9.08 per cent return for basic rate taxpayers. Sanctuary is putting up cash collateral worth 60 per cent of the buy-back price.

**Smaller companies creep ahead**  
Smaller company shares edged higher, despite the bearish tone of much of the stock market. The House Govett Smaller Companies Index (capital gains version) rose 0.2 per cent from 1405.03 to 1407.68 over the period April 28 to May 6.

Wall Street

# Stocks languish under the weather

Dow Jones Industrial Average



has proved the liveliest equity index this week, were slightly higher.

A good clue to market sentiment was the performance of shares quoted on the American Stock Exchange. The Amex is home to many small-to-medium sized companies, and is usually overlooked because trading is so much heavier on the much bigger New York Stock Exchange.

This week, however, the Amex's market value index hit record highs on three consecutive days while the Dow and S&P 500 have languished. Analysts believe the strength of Amex stocks has been a reflection of investors' unease with the broader market, whose poor performance has forced investors to turn to smaller company stocks in the hope that they will produce

returns. The strong run from Amex stocks aside, investors remain confused about the outlook for equities and corporate earnings, and their recent behaviour has been particularly skittish.

Cable television stocks were a good example this week. On Tuesday, buyers rushed to the sector after analysts judged that the new industry regulations, unveiled by the Federal Communications Commission late on Monday, looked as if they were going to be less onerous for cable TV companies than had been feared originally.

A string of big cable TV stocks rose handsily on this news, including Time Warner, Cablevision, Comcast and Telecommunications Inc. (Time Warner was given an additional lift by rumours in the market that Warren Buffett, the billionaire renowned for his canny investments, had bought a 5 per cent stake in the company. As of yesterday, the rumour had not yet been confirmed.)

The rally in the cable TV sector, however, proved extremely short-lived. On

Wednesday, the buying gave way to heavy selling, and all the stocks that had recorded big advances on Tuesday gave most of their gains back as some leading industry analysts backed away from their initial judgment, warning that it was too early to tell what how the new regulations would affect cable TV companies.

There was a similar display of investors' nerves in airline stocks this week. On Monday the big three - Delta, AMR (parent of American Airlines) and UAL - rose sharply, on hopes that the airline industry may have got over the worst of its slump.

By yesterday, however, AMR, UAL and Delta share were back in the doghouse as investors suddenly got nervous about what the latest outbreak in the air fare wars might do the industry's bottom line.

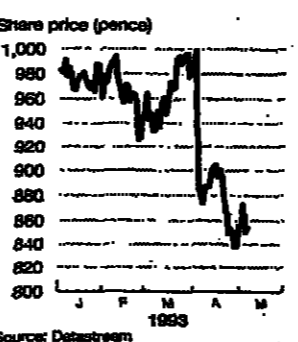
## Patrick Harverson

Monday	3446.46	+18.91
Tuesday	3446.19	-0.27
Wednesday	3446.10	+2.81
Thursday	3441.90	-7.20
Friday		

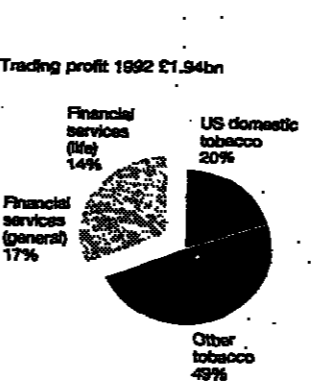
The Bottom Line

# Smoke signals from price war

BAT Industries



Source: Datastream



Source: Datastream

is clearly set for a period of significant aggravation but it remains to be seen how intense and how persistent our competitors' activity will be.

But he urged shareholders to keep a sense of perspective, pointing out that the proportion of group trading profits coming from the US domestic tobacco market was falling and was only 20 per cent last year, down from 30 per cent in 1991.

BAT's shares shed 24p on Wednesday, even although the group's announced a 40 per cent increase in pre-tax profits in the three months to March 31. What concerned the City this week was the news that tobacco profits had already slipped 3 per cent in the first quarter - the period just before Philip Morris slashed prices. The group blamed a number of factors, such as lower volumes at Brown & Williamson, its US cigarette subsidiary, and a

sharp downturn in Germany. BAT has now acknowledged that President Clinton's federal tax on tobacco could be as high as \$1 per pack - a huge hike from the present level of 24 cents per pack, especially when one considers BAT's brands currently sell for an

average of \$1.50. However, the group points out that the \$1 level might just be an opening bid in the coming tussle with Congress. Clinton's health care proposals might now be delayed until mid-June, which would suggest any new tax could not be imposed before

January, 1996 - a year later than first thought.

All this concern over tobacco is understandable, but the share price reaction may be overdone. Having suffered huge losses on mortgage indemnity policies through its Eagle Star subsidiary, BAT is now able to rely on the strength of its financial services side to see it through a tricky patch for tobacco.

Financial services increased trading profits by 45 per cent in the first quarter. In the general business Farmers, the US insurance subsidiary, continuing recovery at Eagle Star contributed to a profit of £93m (up from £43m). In the life business, Allied Dunbar, Eagle Star and Farmers all recorded good premium growth.

BAT shares are currently on a prospective multiple of 11.6, a 19 per cent discount to the

market. NatWest Securities points out that even in the unlikely event of all US domestic tobacco profits being wiped out this year, the group could still increase its dividend by 8 per cent and cover it 1.6 times. A prospective yield of 5.8 per cent puts them on a yield premium of more than 30 per cent.

Some investors may consider the time has come to get out of tobacco, given the US uncertainties. However, BAT is expanding strongly overseas and sees huge growth potential in markets such as eastern Europe and Asia.

One reason the group pioneered the enhanced scrip dividend was its confidence that it could better invest the cash in tobacco businesses, which enjoy a return on assets of more than 20 per cent.

There is certainly a macabre complementarity to selling both cigarettes and insurance policies. For investors who do not find the tobacco trade distasteful, the shares look undervalued on fundamentals.

Andrew Bolger

FINANCE AND THE FAMILY

# Shedding light on share deals

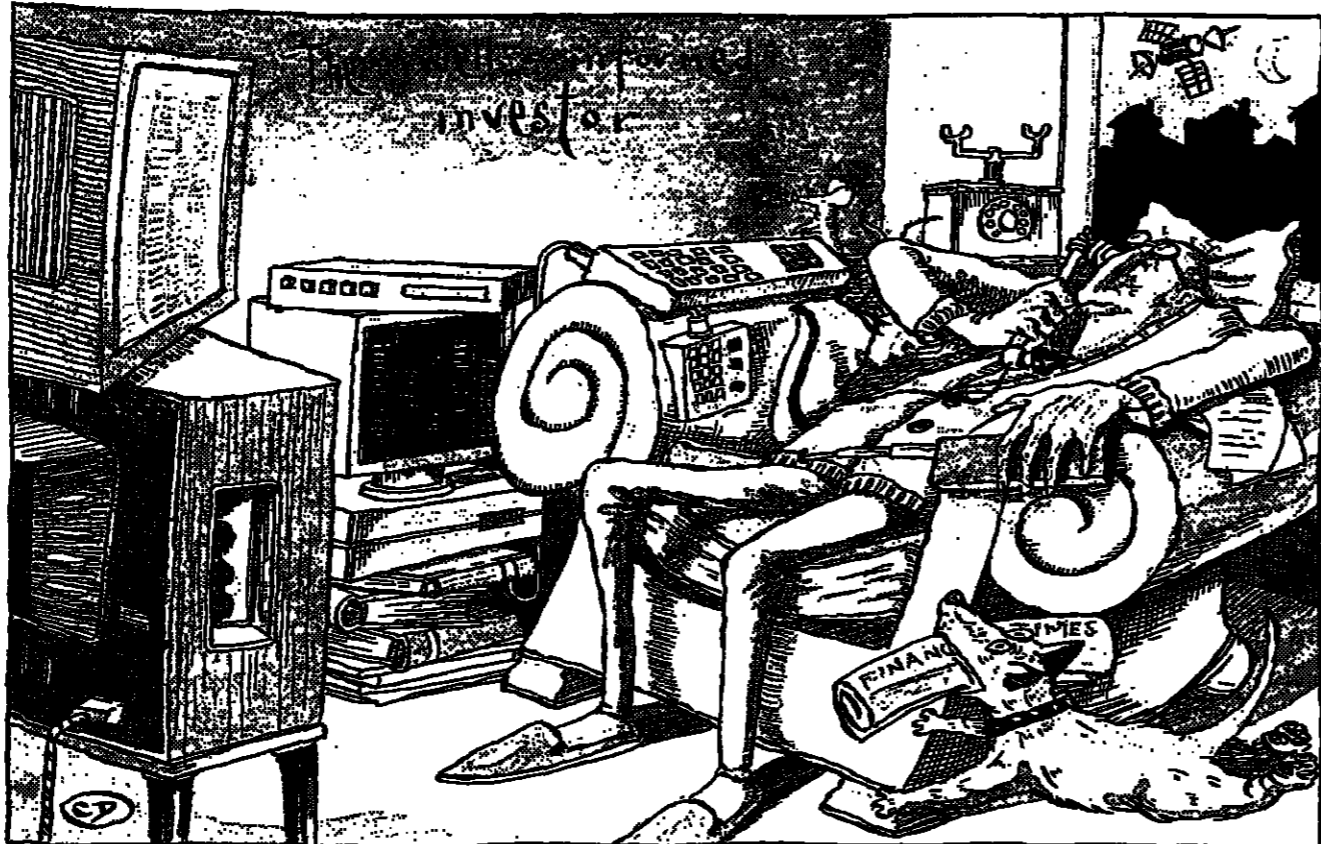
Individual investors can look forward to better information services, says Peter Martin

UNTIL NOW, individual investors who want to find out what is happening in the stock market during the trading day have had to choose between cheap but limited information services and professional data that comes with a price tag worthy of Threadneedle Street. But recent changes in the management of Topic, the London Stock Exchange's electronic information service, will improve the situation.

The exchange is handing over Topic to two commercial companies: Telekurs, controlled by the big Swiss banks, and IGV, an entrepreneurial company based in Woking, Surrey. Telekurs is likely to concentrate on a relatively small number of big customers who want an all-inclusive, all-dancing service. It is the IGV offering, Topic 3 - due to open in the autumn - that could have appeal for active individual investors.

ICV already puts out a service called Market-Eye, which provides real-time prices on all quoted UK equities. This comes as a package made up of television set plus decoder and keypad. The share prices are transmitted by the BBC in a spare part of the normal television signal.

The service costs a private investor £250 a year, plus £1,150 to buy the decoder (which can also be rented for £250 a year). Traded options



prices from Liffe cost another £250 and a service called Data-load, which allows subscribers to download share prices directly into their personal computers, another £250.

The service offers "level one" share prices - that is, the best

bid and offer. Unlike Topic, Market-Eye does not include the fuller "level two" prices which show marketmakers' individual prices and the sizes of bargain for which those prices are firm. On Market-Eye, shares belonging to com-

panies which have made stock exchange announcements during the day are marked. But subscribers wanting to find out what the announcements are must call their broker or the company.

This would quickly become

tedious given the number of routine announcements made by large companies but David Taylor, IGV's managing director, says the company is considering adding a basic news service to Market-Eye which would give subscribers the gist

of each announcement. They could then decide whether to investigate further.

BT's Citi-Service, a rival to IGV, already offers a news service. For £25 a quarter and a connect charge of 39p a minute, it provides real-time bid and offer prices for all shares quoted on the stock exchange automated quotations system (Seaq). If you have a computer and a modem, all you need to connect is Prestel communications software - £25 to Citi-Service subscribers. An additional £15 a quarter allows you to construct your own portfolio of up to 100 shares. Because of the design of the Prestel system, however, you cannot easily download to a computer database or spreadsheet.

More active (and affluent) investors might want to wait for Topic 3 which will be delivered via satellite and will offer a much fuller service, including "level two" prices and the stock exchange news service of company announcements. It will also carry the "closed user groups" now provided on Topic; these are private pages made available to their clients by stockbrokers.

Taylor says subscriptions probably will cost around £5,000 a year, including renting the terminal. But there will be no telecommunications costs, an important consideration for subscribers who live some distance from London. The expense of the present Topic service is increased greatly by the cost of the leased telephone lines needed to receive it, which are priced according to distance.

Further information: IGV, tel. 0453-726 126; BT Citi-Service, 0800-200 700.

# Watchdog hits at quality of loan advice

Scheherazade Daneshkhu on a new Consumers' Association survey

ENDOWMENT mortgages continue to be oversold because of the commission they generate, according to the Consumers' Association's monthly magazine, *Which?* It claims mortgage advice given by banks, building societies and brokers often is misleading and inaccurate.

At their peak in 1988, mortgages linked to an endowment policy - a long-term life insurance savings plan - accounted for 84 per cent of new mortgages sold. That proportion has now fallen to 68 per cent.

Posing as home-buyers, the researchers for *Which?* visited 100 lenders across the country. Mortgage advice was given by 72 advisers and the results are based on those replies.

In 78 per cent of cases, it was found that endowments were the main recommendation even though a repayment mortgage would have been just as suitable.

Repayment mortgages do not pay commission, since there are no insurance-related products involved. Instead, capital and interest are repaid over the term of the loan.

But the researchers found that when repayment mortgages were discussed, the tendency was to focus on their drawbacks compared with endowments. Lenders where this tendency was particularly marked included Abbey National, Bank of Ireland and Barclays bank.

*Which?* also says that "advisers frequently twisted the facts to recommend endowment mortgages." Some staff said an endowment guaranteed to pay off the mortgage - which is untrue. This claim came from Abbey National, Bank of Scotland, Derbyshire BS, Leeds & Holbeck BS, National Westminster bank and TSB.

Although it is probable that most endowment policies will

perform well enough to pay off mortgages, *Which?* says advisers should have pointed out there was a risk they might not - especially since life companies have been cutting bonuses.

Even when asked which type of mortgage would be better if the potential buyer was to sell his house and move abroad within a few years, endowments were recommended as the best option in 87 per cent of cases. This is not the best advice, since the buyer would have to continue paying premiums into the endowment policy from abroad even after selling the property.

The few companies which suggested, correctly, that a repayment mortgage would be better in such circumstances were Alliance & Leicester, Bradford & Bingley (which recommended a mortgage linked to a personal equity plan for its flexibility), Halifax, National & Provincial, Northern Rock, Royal Bank of Scotland, and Slater Hogg Mortgages in Edinburgh.

"Endowments are a major source of profit, and it is clear that employees are encouraged to sell them," says *Which?* But one heartening finding was that most staff resisted the temptation to "churn" - advising customers to cash-in their existing endowment policy and take out a new one.

They were asked by researchers, posing as husband and wife, what should be done with her existing endowment policy since the couple wanted to buy a more expensive house. Most staff recommended that she keep the original endowment and take out an additional one for the extra amount borrowed. But Barclays suggested she take out a new endowment to cover both her and her husband, and either cash-in her existing policy or continue it as a savings plan.

# Meanwhile, for those who simply cannot wait . . .

FOR INVESTORS with more modest information needs, a wide variety of services is available already - some of them free. They include:

## Teletext

This is the service that comes free with the television signal if you have a set with teletext facilities; typically, these cost about £100 more than basic sets.

The BBC service, Ceefax, provides prices of 500 shares, updated six times a day. While this is adequate for keeping a casual eye on the market, it is not really frequent enough to use for dealing decisions - especially as the updates are delayed, so

the prices are never really current. (The restrictions are imposed by the stock exchange, which regards its real-time prices as one of its most valuable assets and does not want to make them available without payment.)

Ceefax also provides financial news headlines, real-time foreign exchange prices from NatWest, and real-time traded option prices from Liffe. It carries some personal finance information, such as credit card interest rates.

Share prices can be found on Ceefax page 230 on BBC1; the index is on page 200. A slower but more comprehensive service is available on BBC2.

The ITV and Channel 4 teletext service, known formerly as Oracle and now as Teletext UK, offers more than 350 (delayed) share prices, plus company news and market indicators. The index can be found on page 500 on Channel 4.

## Telephone services

There is a wide variety of automated voice information telephone lines which offer a surprisingly sophisticated range of services, the FT's Cityline being one. Cityline provides automated real-time prices which you can dial from any sort of phone, no matter how old-fashioned.

Each Monday's edition of the paper

provides a Cityline code for shares in the FT's London Share Service; you dial the Cityline phone number with that code tacked on the end and get straight through to the share price of your choice, delivered in a slightly choppy but perfectly clear robot voice. Other newspapers offer a similar service. No subscription is required: you pay by the call.

Cityline also offers some extras for people who have multi-frequency telephones (most of those bought in the past few years can become multi-frequency ones by turning a switch from "pulse" to "tone", although this works for normal calls only if you are connected to a digital exchange).

These additional services include access to FT unit trust prices and net asset values, which are updated once a day between 8 pm and 9 pm; and the ability to construct a portfolio of your own shares so that, when you call up using a personal access code, you can get an instant valuation of the total portfolio and step through the individual prices one by one.

Cityline charges, which show up in your telephone bill, are 36p during off-peak hours and 46p a minute at other times. There is no extra charge for the portfolio service.

Further information: FT Cityline, tel. 071-878 4373.

# ISIS FROM IVORY & SIME THE CASE IN BLACK AND WHITE

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- The Monthly Income Plan aims to:
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- Let you invest from £5,000 to £1,000,000
- Preserve your capital over time through investments in high quality UK shares
- Make no initial or yearly plan charges

## GROSS UP YOUR INCOME

The Monthly Income Plan lets you invest up to £1,000,000. Your income comes from such monthly dividends of your shares. To the extent that any gains on the dividends are within your available capital gains tax exemption (currently £3,800), you should receive a return of 7% per annum on the initial value of your investment (less fees equivalent to a gross dividend return of 11% per annum before tax).

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## SAVINGS GROWTH

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- Make no initial or yearly plan charges

## SAVING HAS ITS REWARDS

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7 Devonshire Square, London, EC2M 4HU.  
Telephone: 071-621 0011 Facsimile: 071-283 3189



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FINANCE AND THE FAMILY

# Personal equity plans: how safe is your money?

Shares in Peps are held in nominee companies which do not neatly fit existing compensation rules, as Scheherazade Daneshkhu explains

**P**ERSONAL equity plans have become one of the more popular ways of investing, partly because public interest in equities is reviving now that UK interest rates have fallen and partly because of their much-advertised tax efficiency.

A Pep allows investors to hold shares (or unit trusts) without paying income or capital gains tax, subject to an annual investment limit of £5,000 in a general Pep but with the option of an additional £3,000 in a single company Pep.

In order to get the tax break, Peps must be managed and administered by an Inland Revenue-approved registered scheme manager. For this reason, the Revenue does not allow shares held within a Pep to be registered solely in the shareholder's name. Instead, most plan managers use a nominee company - one formed specially to hold shares on behalf of a third party - to register them.

Nominee services are not an authorised activity under the Finan-

cial Services Act (FSA). This means that, technically, they fall outside the scope of the investors' compensation scheme (ICS), which will pay up to £48,000 of a loss when an authorised company or person defaults.

However, the Securities and Investments Board (SIB), the regulatory body for the financial services industry, has said that stock held in a nominee name usually will be eligible for compensation under the ICS rules. This is not a legal obligation, though, and some readers have voiced concern about the safety of their Peps. But Pep-holders probably are better off than

other investors with shares in a nominee account.

"The best reason for regarding nominee accounts as safe is that the government regulations say that stock held in a Pep must be held by a nominee," says David Langshaw, from the Association of Private Client Investment Managers and Stockbrokers.

The regulations also say that even though the shares must be registered in the name of a nominee, the "beneficial for true owner" is the investor, not the nominee company. The Pep manager himself, as head of a Revenue-approved body, has to be authorised under the FSA. "The Pep manager has responsibility for the clients' money. If he were to go under, the investor would be entitled to compensation through the authorised entity," says David Cresswell of SIB.

Pep-holders who are worried can take further measures to protect themselves. Most managers operate a pooled nominee service, where shares belonging to investors are



batched together for registration in the nominee company's name. This is the only name that then appears on the stock exchange's register.

Some plan managers - usually those running a self-select Pep, where the investors choose their own stock - operate designated nominee accounts where the shares are registered jointly in the name of the nominee company with a specific account number or sets of initials which can be used to identify the individual shareholder.

A further advantage for investors in a designated nominee account is that they would receive the annual reports of those companies in which they have shares.

Stockbrokers prefer pooled nominees, however, because of the ease of administration. If, for example, a broker had 1,000 clients with ICI shares in the name of a pooled nominee, there would only be one dividend cheque to handle. With a designated nominee, the broker would have to administer 1,000 dividend cheques.

"I have no doubt that nominee accounts are robust although, it has to be said, they have never been tested very seriously," says Paul Killik, of Killik & Co., a stockbroker which runs designated nominee accounts for all its Pep clients.

One test occurred in 1991 with the collapse of Diameter, a low-cost stockbroker. The liquidators found that the firm had neglected to buy all the shares for which its clients had placed instructions. These shares could not be located in its nominee company.

Affected investors were compensated by the ICS on the ground that the authorised company, Diameter Stockbrokers, was guilty of wrongdoing. So far, 483 such investors have been paid but the process has been lengthy.

This kind of delay is less likely to occur if the plan manager runs a designated nominee account in which the shares and owners can be identified readily. Investors cannot sell their shares until this reconciliation process is over.

Managers running pooled accounts are required to keep up-to-date records identifying all the investors and the shares they hold. Audits have to be done every six months and the Securities and Futures Authority makes regular spot checks.

If a Pep manager loses his status - which would happen automatically if he became bankrupt or the business was wound up - investors have the right either to transfer their plan to another manager or to close it.

"In the case of involuntary withdrawal or revocation of approval, the person appointed to terminate the scheme should perform these duties," says Martin Dodd, of the Pep Managers' Association.

The Revenue says that if compensation is paid to investors under the ICS, the money will be treated as a Pep transfer if it goes directly to a new plan manager. In this way, the tax-free status of the money built up in the Pep would not be jeopardised.

**'Pep-holders are probably better off than other investors with shares in a nominee account'**

## Expatriates / Donald Elkin

# The complex business of residence

**T**HE BUDGET proposal by the chancellor of the exchequer to eliminate the 90-year-old "available accommodation" rule has spotlighted the whole concept of tax residence. What is its effect? And just how do you become, or cease to be, resident?

Put briefly, residence - together with domicile, for which legislative changes also are pending - determines the scope of your liability to UK tax.

There are, in fact, three important statuses - residence, ordinary residence and domicile - none of which has a detailed statutory definition. This void has, therefore, been filled by a mass of case law, Inland Revenue practice and concession. This makes it difficult for the individual to know, without seeking specialist advice, his precise situation in any particular set of circumstances.

Even without the available accommodation rule, you can become resident:

- By going to the UK for permanent residence or with the intention of staying for at least three years.
- By being in the country for more than 182 days in a tax year (ie, April 6-April 5).

■ By visiting the UK for periods which exceed 90 days a year on average over any four consecutive tax years.

The first and third of these rules will make you ordinarily resident, too. Domicile, by contrast, cannot be defined in such "mechanical" terms since it depends on so many disparate factors - such as, where you were born, where you have lived since, where your home(s) is situated, and the location of your family, business and social contacts. Its essential purpose is to connect individuals with the legal system in the country or state in which they live permanently or indefinitely.

If you were born in the UK of British parents and have lived there all of your life, clearly you will be resident, ordinarily resident and domiciled there. As such, you will be liable to income tax and capital gains tax on global income and gains. When you die, inheritance tax can be levied on your estate by reference to world-wide assets.

Conversely, a person who was born and has lived all his life outside the UK will have none of the three statuses. His exposure to British tax will be limited to that on income derived there (and

not even all of that) plus IHT on UK assets so far as they exceed the exempt amount (at present, £150,000).

All this is simple enough. But it is when your life falls somewhere in between these extremes that complications start to arise.

Say that you decide, after being a life-long British resident and domiciliary, to take a job overseas. From the day after you leave the UK, you will be regarded as not resident and not ordinarily resident - provided your period of employment extends beyond a complete tax year and your visits to the UK do not exceed six months in a year or 90 days a year on average.

Once that happens, liability to capital gains tax ceases altogether (with the sole exception of gains arising from assets used in a UK business). Nor need you pay tax on overseas income, even if you send it to the UK.

But most UK income remains taxable although there are some exceptions; for example, the interest on holdings of British government securities. And most British expatriates remain liable to pay IHT, only those emigrating permanently escape this particular impost

(but not until 36 months after changing domicile).

Expatriates returning to the UK will face considerations that are very largely the opposite of those explained above, but with the important difference that their resources - and their problems - are likely to be greater than when they left.

On the other hand, the treatment given to foreigners coming to the UK temporarily - for, say, short-term employment - will be different again. For while they might well become resident and ordinarily resident, typically, they will keep their overseas domicile. They will be eligible for reduced IHT and will not have to pay UK income tax and CGT on overseas income and gains except for sums received in the UK.

Be warned, though. This is a complex area of the law where much can be gained or lost, particularly when your position in the residence/domicile spectrum changes. So, if you are planning such a move, specialist advice is desirable.

■ Donald Elkin is a director of Wilfred T. Fry Ltd of Worthing, West Sussex.

## Directors' transactions

DESPITE continuing problems at its Australian subsidiary, shares in Admiral, the computer services group, have outperformed the market by 25 per cent over the past year.

Clayton Brendish, the chairman, and Dr Ceri Jones, the managing director, have sold 1,005,575 and 100,625 shares respectively at a price of 420p, to leave them holding 2m and 420,000.

Philip Gwyn, a non-executive director of Alumasc, the group that designs and manufactures products for the brewing and building industries, sold 196,000 shares at 525p to leave him holding about 6 per cent of the ordinary shares.

Last September, four of the directors of Shawndrick, the public relations consultancy group, bought large numbers of shares at prices between 2.75 and 5p. Among them was John Huckle, the finance director, who bought 615,384. Last week he sold 350,000, at 18.5p.

Colin Rogers, The Inside Track

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Admiral	Eng	1,106,200	4,646	2
Alumasc	Misc	196,000	1,029	1
Bodycote Int'l	Cong	28,000	181	2
British Polythene	Pack	4,000	20	1
Eurotherm Int'l	Eng	72,500	428	2
Green (Emest)	C&C	18,500	14	2
Halstead	Chem	6,000	17	1
Harrisons & Cross	Cong	20,000	35	1
Hawthorn Baker Harr	Prop	20,000	13	1
Isotron	High	48,000	118	2
Jayco Group	High	20,000	93	1
Reuters	Med	4,800	61	1
Sage Group	Eng	10,000	60	1
Scantronic	Eng	85,000	53	1
Shawndrick	Med	350,000	68	1
Weir Group	Eng	40,000	257	1
Yule Catto	Chem	25,000	74	1
<b>PURCHASES</b>				
Farway Group	Misc	100,000	38	1
Gardiner Group	BusE	200,000	56	4
Gibson Lyons	Pack	143,412	103	6
Gibbs Mew	n/a	21,100	47	1
Hall Engineering	EngG	48,000	92	1
Holders Technology	Misc	10,000	11	1
TI Group	EngG	15,400	576	1
Tiphook	Tran	10,000	19	1
Unichem	High	4,474	11	2
Wembley	H&L	200,000	31	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (if a 100% subsequently sold, after a value over £10,000, information released by the Stock Exchange 25-28 April 1993). Source: Directors Ltd. The Inside Track, Edinburgh

## News in Brief

AS THE housing market shows signs of recovery, special mortgage offers from building societies continue to proliferate.

Northern Rock is offering a discount of 3.01 per cent off its normal mortgage rate, lasting until June 1994, where the loan is no more than 75 per cent of the property's value.

For loans up to 90 per cent of value, the discount is 2.01 per cent. This results in current rates of 4.98 per cent and

5.98 per cent respectively.

Borrowers must take out buildings and contents insurance through Northern Rock and pay an arrangement fee of £95.

The society also is offering fixed-rate mortgages of 6.95 per cent (8.1 per cent APR) over two years; 7.45 per cent (8.1 per cent APR) over three years; and 7.95 per cent (8.2 per cent APR) over five years. All of these loans are portable. Arrangement fees are

between £200 and £250 and borrowers must take out the society's buildings and contents insurance.

■ Britannia is offering a range of fixed-rate mortgages from two to 10 years. The two-year rate is 7.5 per cent (8.4 per cent APR) for those with a 10 per cent deposit.

Over five years, the rates vary from 7.99 per cent (8.5 per cent APR) for those with a 40 per cent deposit to 8.8 per

cent (8.9 per cent APR) to someone with only a 5 per cent deposit. The rate over 10 years is 9.99 per cent (10.2 per cent APR).

Arrangement fees vary from £150 on the two-year mortgage (not for first-time buyers) to 0.75 per cent of the loan (with a minimum of £295) for the 10-year deal. All kinds of mortgages - including repayment - are eligible under this offer.

■ Leeds & Holbeck building society has launched a range of discounts on its variable rates of 8.6 per cent and 8.7 per cent. The discounts vary from 2.26 per cent (on loans worth 90 per cent of the property) to 3.26 per cent (on 70 per cent) - but they will last only until January next year.

Borrowers must pay a valuation fee linked to the value of the property, an application fee of £150 - of which £50 is non-refundable - and must also take out the society's buildings and contents insurance.

■ Norwich & Peterborough is offering a one-year fix, with the rate at 4.95 per cent for the first six months and 5.95 per cent for the following six. But this requires an endowment or pension policy to be taken out for 50 per cent of the mortgage advance.

Buildings and contents insurance must also be taken out through the society. There is a £125 arrangement fee.

■ Other offers cited by Moneyfacts in its mortgage selection include a NatWest home loans fix which is 8.99 per cent for 10 years, with an arrangement fee of £250.

Capped rates mentioned by Moneyfacts include Bank of Ireland (6.75 per cent to June 1, 1994; arrangement fee £280), Coventry BS (7.25 per cent until January 31, 1995; arrangement fee £100) and Nationwide BS (7.85 per cent for three years; arrangement fee £295).

Those interested should check with the institutions for the terms and conditions of these deals.

■ In its round-up of offers, John Charcol cites a Legal & General deal which for 7.49 per cent over five years (on loans below 75 per cent of valuation).

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1975	£35,455	£3,304
1980	£72,231	£5,046
1985	£191,470	£7,741
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## FINANCE AND THE FAMILY

## Bears rule in latest BT sale

But the ursine share shop symbol could be misleading, says Roland Rudd

POTENTIAL investors in the imminent sale of the government's third tranche of British Telecom shares will find a little ominous: a bear is clutching the prospectus, with a bull nestling behind.

Certainly, the public must be made aware that the market for shares goes down as well as up - hence the need for the services of the stock market's two best-known animals. It is just unfortunate, according to one broker acting in the sale, that the bear appears to be in a dominating position.

S.G. Warburg, the government's global co-ordinator for the issue, intends to make sure the bull comes

out on top. Warburg aims to prevent any institutions from trying to depress the share price before the offer.

To ensure a stable market after the sale, it is prepared to buy back BT shares if there is a need to stabilise the price.

The biggest advertising campaign so far to sell BT shares will start on May 25 and dealing will follow in mid-July. The government is expected to sell most, if not all, of its remaining 22 per cent stake in BT - worth more than £5bn at present prices.

As in previous offers, the shares will be sold in partly-paid form, with investors settling their bills by instalments.

While only eight retailers were

selected in 1991 when the second tranche in BT was sold, more than 150 - including the big four clearing banks, building societies and stockbrokers - will be taking part in this year's initiative.

Anyone interested in buying can still register with the share information office, along the lines of previous government privatisations. But there are two main advantages of registering with one of the share shops.

First, if there is strong demand for shares, people applying through the shops will be given greater preference in allocation. Second, the shops are expected to send information on their products and services, which may include special cut-price deals, with the BT3 offer information.

As part of the government's initiative to widen and deepen share ownership, ministers are hoping the share shop symbol will outlive the BT3 offer. It is by no means certain they will succeed.

The National Audit Office, the parliamentary watchdog, raised doubts recently about whether the government's special efforts in BT2 to boost the number of long-term small investors had worked.

The NAO reached no judgment on the success of the share shop scheme - intended to make it easier for small investors to deal - beyond noting that 59 per cent of the shops' transactions in the three-month special dealing period after the sale were on behalf of individuals disposing of BT shares.



## It's good to be gross

Scheherazade Daneshkhu looks at offshore bond funds

THE MAIN attraction of offshore bond funds, particularly for non-taxpayers, is that income is paid gross. This means that UK-resident non-taxpayers do not need to reclaim tax from the Inland Revenue - something they would have to do if they invested in an onshore bond fund, since these cannot pay income gross.

Even resident UK citizens who are liable for tax may find offshore bond funds attractive because the tax payment can be delayed.

The table lists those sterling offshore bond funds which are recognised by the Securities and Investments Board - the chief regulator for the financial services industry in the UK - and which have a three-year performance record. SIB recognition should give some comfort to investors worried by the memory of the Barlow Clowes debacle, as should the presence of many well-known industry names in the table.

Figures have been taken from *Financial Times* and show the top 10 performing SIB-recognised funds in the sterling fixed-interest sector. They are quoted on an offer-to-offer basis because some funds have a single price but add on an initial charge. Were funds to be quoted on an offer-to-bid price, the single-priced funds would

receive an unfair advantage. But the effect of quoting on an offer-to-offer basis, is that the performance figures are better than the returns which would actually have been achieved by an investor. Initial charges can be 5-6 per cent.

In addition, performance figures have been boosted by a very good market for gilts, which have risen in price in response to falls in UK interest rates. There is no guarantee that the illustrated levels of performance will continue. The highest-performing fund in the list - Barclays Sterling Bond Fund, with a gross yield of 8.9 per cent - has an initial charge of 3.5 per cent with an annual management fee of 0.35 per cent. The minimum investment is £1,000.

Investors who are new to the fixed interest sector should be aware that the fund with highest yield is not necessarily the best. Bond funds can achieve a high yield at the expense of declining capital.

For those who want further details, information on offshore funds can be found in the Managed Funds pages at the back of the FT's first section.

This table appears as part of our regular service for fixed-income investors. Next week, details of onshore sterling bond funds and the permanent interest-bearing shares.

## Best performing 10 offshore bond funds

Fund	Size (£m)	Yield (%)	Perf
Barclays Sterling Bond	220.0	8.90	70.4
Govest GSI UK High Inc	17.9	9.10	64.4
Hill Samuel Sg Fixed	32.8	7.24	54.3
Lloyds Bank	506.4	7.83	64.1
Guinness Flight C H Yd	4.0	7.82	61.9
Garrmore Cap St Sg Bnd	21.2	6.63	61.6
Capital House Star Bond	6.9	6.15	60.7
Eagle Star Star Bond	2.4	6.25	59.4
Kleinwort Benson Gilt	48.0	7.30	58.1
Henderson Horizon Fixed	6.7	7.50	58.1

Source: Financial Times. \* Offer-to-offer with net income reinvested from May 1 1990 to May 1 1993. Funds without three year record are excluded.

## Pensions alert over spread of 'churning'

Barbara Ellis on the needless switching of investments

CHURNING, or unnecessary switching of investments to generate commission, appears to be spreading in the pensions market. One large firm of investment advisers, asked for a second opinion about pensions advice given by a competitor, was so alarmed that it reported the matter to the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra), the self-regulatory body for financial advisers.

The query came from a man made redundant two years ago who was advised at that time to transfer his preserved company pension into a personal pension policy. Several weeks ago, the broker which arranged the transfer sent a circular recommendation encouraging the man to switch his pension from the managed fund run by an insurance company into the broker's own fund.

The adviser giving the second opinion said: "It looks like an assembly line job. The paperwork is of a very poor standard and there is hardly any justification for the recom-

mendation at all, apart from the expectation that their own broker fund will perform better than the insurance company's fund, based on past performance of just six months."

Although the adviser suggested that the recommendation might have come from a rogue individual within the particular firm, he considered it worth telling Fimbra that the material appeared to be part of a sizeable mailing.

Fimbra refused to confirm it had received the adviser's report and said any possible disciplinary action was not for public discussion. It added: "Any problem will have to be rectified by the member and, if it is not, they will be suspended from doing any investment business."

At the Life Assurance and Unit Trust Organisation (Lauto), a spokesman said that suggesting a switch into a broker bond might be a legitimate option providing investors were made aware of all costs and the charges involved. But he stressed that Lauto would not take kindly to over-emphasis of short-term performance, such

as a six-month record. The organisation insists on the use of figures covering at least five years, where these exist.

Another form of churning most unlikely to be reported to investment watchdogs involves collusion between adviser and client to raid the accumulated pension.

Industry sources say churning of personal pensions has focused on the cash-generating opportunities. Brokers can offer to share 4-6 per cent commission with a policyholder each time the accumulated transfer value of the pension is moved from one life company to another.

This might seem insignificant but, even at middle management level, transfer values of £150,000 to £200,000 are not uncommon. Furthermore, commission levels in regular premium contracts are about 12 times the single premium rate. So, a £20,000 pension contribution could "free" £12,000 to be allocated between the broker and the client. Such strategies would have to be concealed from watchdogs. "The investor protection

rules include a general obligation not to churn, and it cannot be compatible with good advice or suitability," says Mike Wadsworth, of actuary Watsons. Life companies do not pay commission to an intermediary unless it can recover this from the fund.

At some point during the life of the pension contract, the company will make sure it gets back from the customer the 5 per cent or more paid out. In the course of three or four moves from one company to another, the customer would also have to meet charges for setting up policies. All this could mean a significant reduction in the final value of the pension.

A higher-rate taxpayer might take the view that 75 per cent of his final fund will be taxed at 40 per cent, whereas a rebate of commission from a broker will be tax-free. But this is a mistake. Tax inspectors see rebated commission as income, subject to tax.

Wadsworth says there might be tactical reasons for switching a pension from one life company to another. For example, with a Section 32 buy-out policy, there are strict limits on the maximum pension and lump sum that can be taken out, with any surplus going to the life company.

"It is possible to play the system a bit," adds Wadsworth, stressing that his own firm is not involved. "Churning can happen in pensions - and sometimes does."

## Society calls for merger

MEMBERS of the England's general reserve fund, at 4.32 per cent, is lower than C&G's 4.54. So, C&G says there are no "excess" reserves to be distributed as a bonus.

Instead, it is offering sweeteners to persuade members of England to stay put under the new management. One such is a guarantee to pay 0.25 of a percentage point above Heart of England's rates on accounts which are open to new investors for one year after the merger.

Heart of England customers will find, however, that interest rates at C&G generally are higher than they are getting now. The exceptions are their Instant Gold and Tessa accounts.

The former pays 5.15 per cent gross on its top tier of £25,000 compared with 4.3 per cent gross on C&G's Cheltenham Gold account. The Tessa pays 7 per cent compared with C&G's top Tessa rate of 6.85 per cent.

If the merger is agreed, it is expected to go through on October 1.

Scheherazade Daneshkhu

## Now for staggered vesting

Debbie Harrison explains the newest slant in private pensions

THE LATEST craze in private pensions is staggered vesting, a complex and costly substitute for the simple purchase of an annuity to provide retirement income.

Like most successful pension marketing campaigns, this is based on a concept that offers genuine opportunities to a minority of investors - provided the right fund management and ongoing expert advice is secured. Staggered vesting, or phased retirement, involves taking benefits in stages rather than all at once.

But investment regulators are worried that salesmen and independent advisers are jumping on the bandwagon and marketing the concept inappropriately to secure commission payments of up to five times those available on a one-off annuity purchase.

To appreciate the opportunities and risks associated with staggered vesting, it is necessary to understand the various pension options available at retirement.

Employees in company schemes generally receive a pension linked to their final salary, plus a tax-free lump sum. These in-group or individual money purchase schemes - where the value of the pension depends on investment returns - can take a tax-free cash lump sum usually worth 25 per cent of their fund.

The residual fund must be used to buy an annuity from a life office. Annuities come in various guises but, in return for a lump-sum investment, the majority guarantees to pay a fixed income until the person taking out the annuity dies.

Two main problems associated with annuities have led to the development of phased retirement and staggered vesting. First, once you have paid your lump sum, it is gone for good - even if you die the following day. Most providers now offer annuities that return part of the fund if you die within five years, but this option is secured at the expense of a lower annuity rate.

The second problem is flexibility. Once you have agreed the benefits - for example, a fixed annuity, annual increases of 5 per cent and/or spouse's pension - you cannot change your mind. Staggered vesting - and, to a lesser extent, phased retirement - attempts to overcome these problems.

With phased retirement, the entire fund is not used to buy a single annuity. Instead, investors can purchase, say, three separate annuities at ages 60, 65 and 70. This allows those who want to continue working part-time to live off a combination of reduced earned income and a proportion of pension income.

In addition, the residual fund left in the pension plan may continue to benefit from investment growth. And buying annuities at a later date will offer better value since rates are based on life expectancy, among other factors. Annuity rates can and do fall, depending on the underlying rate of inflation.

Staggered vesting is the hot-house version of phased retirement - a delicate plant that

they should have another source of retirement income because of the higher risks involved.

Viewed in isolation the concept is extremely imaginative but pension regulators are concerned that staggered vesting offers providers and intermediaries a back entrance to the lucrative and controversial transfer market.

Staggered vesting can be carried out only via a unit-linked, segmented personal pension. Typically, the pension must be split into segments of £1,000 so that, each year, the appropriate proportion of the fund can be drawn down to provide the necessary income. Under a personal pension, it is possible to draw the pension at any time between the age of 50 and 75.

Personal pensions have been

fund, on top of which is the 1-1.3 per cent of the fund paid for the annual purchase of the annuity. All of which comes out of your hard-earned pension investment.

Last week, the Life Association of Scotland (LAS) launched its own version of staggered vesting, backed up by a computer software package for its own tied agents which can be leased by independent advisers. LAS follows Sun Life, Provident Life and Clerical Medical, all of which have named in on this developing market.

But however good - or bad - the underlying pension product, it is the work of the intermediary that is critical in staggered vesting. Some of the specialist pensions advisers offer considerable expertise and are prepared to rebate a significant chunk of the transfer commission to the client. Independent advice is essential in selecting the best personal pension plan for transfer, and the best annuity rates on an annual basis.

Moreover, staggered vesting has wider implications for the pensions market as a whole. There is a strong case for viewing pensions as a form of insurance, rather than as an investment vehicle. Standard annuities operate on this principle.

If a significant proportion of annuity-holders fund their annual income through staggered vesting, this will skew the terms on which providers are able to offer annuity rates to the detriment of the majority.

Most people are served best by a guaranteed retirement income. Where there are surplus funds, these can be invested separately. Products designed to combine insurance and investment tend to benefit the life offices and intermediaries, who build in extra charges carefully hidden by the complexity of the product structure. In this respect staggered vesting is no exception.

*'It is a delicate plant that needs care and is vulnerable to market forces'*

needs careful nurture and is vulnerable to market forces. Under it, the one-off annuity purchase is replaced by a series of annual transactions.

Each year, part of the pension fund is used to provide an element of tax-free cash and a small annuity, so allowing people to assess income needs annually. This requirement is met by the combination of tax-free cash, the annuity purchased with the current year's draw-down of funds, plus annuities in force from previous years. Clearly, however, since the tax-free cash is to form part of annual income, the large lump sums usually available at retirement will not be an option.

As with phased retirement, the fund that remains invested can benefit from continued growth. The residual fund also provides a high level of consolidated life assurance since, provided the pension plan is written under trust, the fund is passed on free of inheritance tax to your beneficiaries if you die.

Moreover, since annuity rates improve as your life expectancy decreases, the amount you need to encash each year should in theory decrease in inverse proportion to your age. But because of the complexity and the cost of the arrangement, staggered vesting is not considered suitable for those with less than £100,000 to invest and, ideally,

around only since 1988, so most investors coming up to retirement are likely to have a retirement annuity contract (the precursor to the personal pension), an executive pension plan, or some form of occupational scheme. The first step towards staggered vesting then is to transfer the benefits built up under existing arrangements to a personal plan.

And therein lies the rub. On a single annuity purchase, providers tend to pay the intermediary between 1-1.5 per cent of the fund's value. Transfers, however, are classed as single premium business and, as such, pay a commission of around 5.2 per cent. Given the target market for this product of individuals with funds worth £100,000, the difference for the intermediary lies between earning around £1,000 and £5,000.

In addition to the initial transfer commission, the intermediary also is paid an annual fee of about 0.25 per cent of the

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Barclays (0225 739999)	Homeowner 3 Bond	6.00	6.00	5.44	Ytd	10
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Barclays (0225 739999)	Homeowner 3 Bond	4.40	4.40	5.44	Ytd	10
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Barclays (0225 739999)	Homeowner 3 Bond	2.60	2.60	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	2.40	2.40	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	2.20	2.20	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	2.00	2.00	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	1.80	1.80	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	1.60	1.60	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	1.40	1.40	5.44	Ytd	10
Barclays (0225 739999)	Homeowner 3 Bond	1.20	1.20	5.44	Ytd	10
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Barclays (0225 739999)	Homeowner 3 Bond	0.80	0.80	5.44	Ytd	10
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FINANCE AND THE FAMILY

# Where tradition still plays its part

Investment Trusts

Philip Coggan finds the old and the new in tandem at Merchants

HERE IS a strong sense of tradition about the Merchants Trust. It was founded in 1889 with some famous City names on the original board including a Baring, a Benson and a Hambro. Price Waterhouse was appointed auditor at launch, and remains in that role.

As with many other 19th century trusts, the original idea was to invest in overseas fixed-interest securities which offered a higher yield than anything available in the UK. Over the years, Merchants moved gradually into equity investments.

In 1984, it switched from being an international generalist, to its present strategy of providing "an above-average level of income and income growth together with long-term growth of capital."

At the time, many trusts were seeking to differentiate themselves so they could justify their continued existence. The change in aims is illustrated by the details of Merchants' geographical spread. In January 1993, just 47.2 per cent of the portfolio was in the UK, with 37.5 per cent in North America and the rest in the Far East and Europe. By end-January 1993, the UK portion made up 98.1

per cent of the portfolio with the rump in US unquoted stocks (which are being sold off gradually).

This switch to the domestic market has, of course, been of immense help in allowing the trust to increase its dividend from 2.4p in 1983/4 to 10.9p in 1992/3. UK equities traditionally offer a higher dividend yield than that obtained by overseas markets - and the 1980s also saw strong dividend growth in the UK.

Although the 1990s have seen many cuts in corporate dividends, the trust says it has built up reserves high enough to see out the storm. According to manager Nigel Lanning, Merchants could pay out half last year's dividend from these.

Lanning says the investment policy follows a yield discipline, with shares being bought on high yields and low price-earnings ratios and sold if the yield falls or the p/e rises too far. This philosophy is remarkably akin to that of David Hopkinson, a former

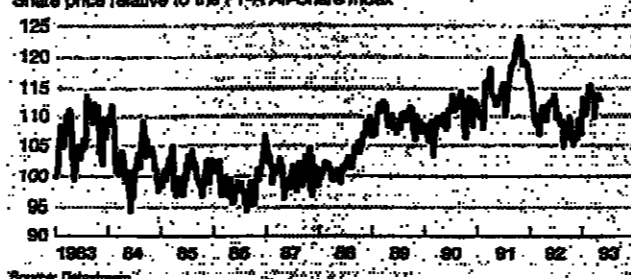
investment guru at M&G - who just happens to be one of the directors.

Such a strategy worked very well in the 1980s but struggled during 1991 and 1992. The net asset value of the trust rose just 4.3 per cent over the three years from end-January 1990 to end-January 1993. During the recession, high yield once more became synonymous with high risk. But since the pound left the exchange rate mechanism in September, lower interest rates and the prospect of economic recovery have revived the high-yielding sector.

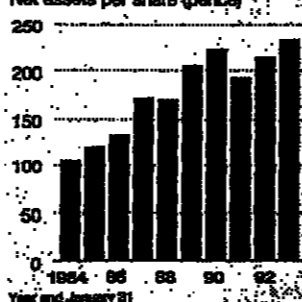
The yield on the trust is now 5.6 per cent which, says Merchants, is the highest of its direct competitors (although *Financial Times* list of the UK income growth sector puts the packaged units of M&G income ahead, at 6.2). But Lanning says it is able to offer this return without straying into the wilder fringes of the high-yield sector. The trust receives

## Merchants Trust

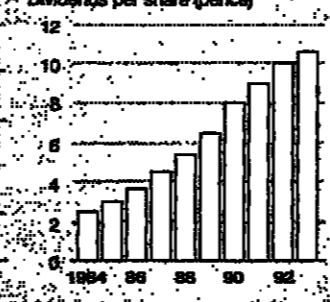
Share price relative to the FT-All-Share Index



Net assets per share (pence)



Dividends per share (pence)



some boost to its income from around £10.6m of fixed-interest stock; it also has fixed-interest debt, namely, some £25m of stepped-rate loans.

The 10 biggest stocks in the portfolio at end-January include many names familiar to private investors: BAT, British Gas, BT, National Westminster, Shell, Eastern Electricity, North West Water, Prudential, Great Universal Stores and Allied-Lyons.

The high yield has been successful in attracting private investors, who now own more than 50 per cent of Merchants. Accordingly, the discount has narrowed, and the trust now trades virtually at asset value, so investors are at risk from a return to the days of wide discounts.

Merchants' record in its sector is moderate, with *Financial Times* showing it as below average over one, two and three years. It is fourth (out of 10) in the sector over seven years, with

growth of 163.6 per cent (mid-market to mid-market with net income re-invested). But, as the graph shows, the trust has marginally outperformed the All-Share over a 10-year period.

Peter Walls, investment trust analyst at Credit Lyonnais Laing, says: "I have never been particularly excited by the trust's management style. It is a steady fund which has been successful at attracting private investors because of its high yield. But we are not going to see the same kind of dividend growth as we did in the 1980s."

■ **Key facts**  
Gross assets of the trust are £280m and net assets £250m. NatWest Securities estimated the net asset per share at 238.2p on April 6, putting the shares, then 237p, on a discount of 0.5 per cent. The dividend yield was 5.6 per cent. The management fee is 0.35 per cent annuum of assets, minus current liabilities and short-term loans.

■ **Board**  
Merchants has a remarkably

high-powered board. Non-executive directors are Sir John Banham, former director-general of the CBI; Sir Derek Birkin, chairman of RTZ; David Hopkinson, former managing director of M&G Group; Sir Thomas Risk, a former governor of the Bank of Scotland; and Sir Anthony Tuke, former chairman of Barclays Bank. Colin Black, the chairman of Scottish Widows, is about to take over as chairman from Robert Henderson, who is retiring.

■ **Savings scheme**  
and **Pep details**  
The minimum monthly investment in the savings scheme is £25, or £250 for lump sums. Investments of more than £1,000 will be dealt with on the following day. There is an 0.5 per cent dealing charge and 0.5 per cent stamp duty.

The personal equity plan has a 3.5 per cent initial charge (2.5 per cent for existing investors in the trust) and a 1 per cent annual charge. The minimum investment is £6,000 (or £3,000 if the allowance is split between two Kleinwort trusts).

■ **This is the last article about conventional investment trusts. A round-up of the series will appear next week with the first in a new series on split capital trusts.**

## Letting property brings problems

I HAVE ALWAYS managed my own tax affairs without using an accountant. But this year I have started to let property and things are getting complicated! Can you recommend a good guide or book that covers the tax treatment of property?

■ The solicitor who prepared the letting agreements for you is, of course, best placed to guide you through the consequent tax labyrinth. But you might ask your tax office for the following free pamphlets: IR87 - Rooms to let: income from letting property; CGT74 - Owner-occupied houses; CGT14 - Capital gains tax: an introduction; and CGT16 - Indexation allowance: disposals after 5 April 1988. You could also write to the Inland Revenue Public Enquiry Room, Spencer House, Strand, London WC2R 1LB, and ask for a copy of Statement of Practice D24 (Capital gains tax: initial repairs to property).

We take it that the property is all within the UK and that it is being let unfurnished, so that the rents are assessable entirely under Schedule A. If

either of those assumptions is wrong, the position will be a little more complex.

It could be worth spending half-an-hour or so in a local reference library looking at the relevant parts of any of the standard works on income tax and capital gains tax.

### Gift from grandmother

I AM a 19-year-old student at university and live with my parents during the holidays. My grandmother, who is 83, seems determined to give me her house (value £55,000) in the near future, although she would continue to live there.

Would capital gains tax be charged on any appreciation in the value from the date of the gift to when it is eventually sold on my grandmother's death? (I doubt if I will ever live there). Second, how does she transfer ownership to me? If the house is never my main residence (in fact or by designation), there will be a CGT liability on its eventual sale if the sale proceeds exceed the

market value on the day of the gift by more than the rise in the retail price index, subject to the exempt amount for the tax year of the sale (if you have no other capital gains in that tax year).

But if you can conveniently live in the house for a short time - either during your grandmother's lifetime or afterwards - it should be possible to make a substantial reduction in the potential CGT bill by means of notices under section 22(5)(a) of the Taxation of Chargeable Gains Act 1992.

Your grandmother will need the assistance of a solicitor in conveying the house to you. Ask a tax office for the free pamphlet CGT74 (Owner-occupied houses) and CGT14 (Capital gains tax: an introduction).

### Concerned over AVCs

COULD YOU tell me the relevant income figure to be taken into account when calculating the maximum pension contribution? I am particularly con-

## Q&A

### BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the answers given to these columns. All enquiries will be answered by post as soon as possible.

cerned about whether to make additional voluntary contributions. I had understood that the relevant figure was the taxable salary in the final year of employment. I now hear that it is the gross figure comprising the salary plus the value of additional benefits such as a company car, health insurance, and any other allowances paid by the employer.

■ The taxable value of your benefits in kind, such as company car and BUPA premiums paid by your employer, can be added to your salary for the purposes of calculating your pensionable remuneration. You mention the final year of employment. There are many situations where fluctuating earnings, or the level of salary, require pensionable remuneration to be based on the average of the best three consecutive years in the last 13, but with the allowance for each year's remuneration to be uplifted between the year it was received and the date of retirement in line with increases in the retail price index during the same period.

### Paying into a pension

I AM BEING made redundant and am taking early retirement after 26 years' pensionable service. I might then work as a part-time consultant. As a higher-rate taxpayer, can I start another pension plan? If so, what percentage of my earnings can I place in it?

■ The contributions that you can pay to a personal pension policy in respect of your present and future non-pensionable earnings (eg consultancy work) are not affected by your past pension rights but only your age at the beginning of the year of assessment. If you are 51 or over, you can pay 30 per cent, 55 or over (35 per cent), and 61 or over (40 per cent).

### Am I wasting my money?

AT THE AGE of 35, I have settled in Britain and, being self-employed, have begun paying NI Class 2 and Class 4 contributions. Because, at my age, insufficient working years remain to qualify for a full state pension, my contributions seem to be expended without benefit. Can any of the obligatory NI contributions be redirected into my personal pension plan? Alternatively, should I consider paying voluntary Class 3 contributions to secure some benefit?

■ If you are paying Class 2 and Class 4 contributions as a self-employed person, you cannot at the same time pay voluntary Class 3 contributions in order to enhance your social security pension. Neither (as you suggest) can you divert any of your Class 2 or 4 contributions (which you have to consider as a tax) into a personal pension plan. If you want to provide yourself with a reasonable retirement pension, then you are strongly advised to pay contributions to a personal pension plan in addition to your compulsory contributions to state social security.

## How NI offers scope to save

INCOME tax-payers spend a lot of time and effort on ways to reduce their bills. National Insurance contributions are also a compulsory levy on earnings but, unlike the tax system, only rarely are they considered an area where financial planning reaps any reward. Yet changing the method of payment can bring significant gains for casual workers such as those in temporary or part-time employment; those in agriculture and similar seasonal employment; and students doing vacation work.

■ NICs are paid on a rising percentage scale between two earning levels. The lower one equates roughly with the basic state pension and is now 55¢ a week, or £243 monthly, or £2,912 yearly. The upper is around 7.5 times the basic pension and is now £420 weekly, or £1,820 monthly, or £21,840 yearly.

■ Unlike income tax, which is based on a yearly cumulative total, with high earnings balancing out lower ones to give the overall liability, NICs are payable on an amount fixed in advance on the "earnings periods" - whatever they may be.

■ Not having to pay income tax does not absolve you from NICs on relevant earnings.

Thus, students working in vacation periods may get income tax exemption through P38(S), but will still have to pay NICs in any periods when their income exceeds the lower earnings level.

Earning periods normally are determined by the dates on which wages are paid (or are due to be paid), and not for the periods during which the work actually was done. So, if you contract to do four weeks' work at £56 a week, you have exceeded the lower earnings level and will have to pay £1.12 NICs each week. Work a month for £240 and you pay no NICs because that monthly figure is below the lower earnings level of £243 a month. This principle applies all the way up the scale, and means that careful timing can drop NICs into lower rate bands or below the lower earnings level altogether.

A salary of £500 a week for four weeks' work results, for example, in four NICs of either £27.33 or £38.88 weekly for that period (depending on whether the firm which employs you is contracted in or out). If you were paid monthly, though, you would be liable for only one NIC. Similarly, six months' work at rates above the lower earnings level, paid at weekly

intervals, would mean 25-26 NICs. But care must be taken not to breach the anti-avoidance regulations which ensure that NICs are not evaded or reduced by abnormal practices such as uneven or irregular payments. However, these are not likely to be applied for casual work.

Where a person has different jobs with different but associated employers, the department of social security contributions agency aggregates these sums so that employees do not pay NICs at lower rates. Teachers doing part-time work for a local authority for a couple of evenings a week can be caught out by this "aggregation" principle; but those working odd sessions for a private establishment might be viewed more favourably.

Paying less in NICs, or none, could reduce your entitlement to state benefits including those for maternity, unemployment and sickness, and the state pension. Most have high entry requirements in any case and a short-term reduction in NIC payments may not make too much difference to your long-term entitlements. But this is a factor to check.

Jennie Hawthorne

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## MINDING YOUR OWN BUSINESS

Computing/David Carter

## Take account of your own needs

THE COMMONEST application for which small businesses buy a computer is accounting.

If I have been brought in to install an accounts package I usually have a discussion with the directors before we start. What financial information do they expect from their new system?

"We hoped that perhaps we could use the computer to produce our own profit and loss accounts and balance sheets. And instead of getting them just once a year we could now get them quarterly or even monthly. This would give us up-to-date financial information to run the business, as well as cut down on the audit fee."

Illusions such as this are commonplace.

Patience, I explain to them the facts of life.

"Profit and loss accounts and balance sheets are a waste of time. They are part of the statutory audit, which exists not for your benefit but for the benefit of everyone outside the company. For the taxman, to help him work out your tax bill. For your bank manager, to assure

him that his loan is safe. For your accountant, to maintain him in the style to which he is accustomed. Profit and loss accounts and balance sheets are nothing whatever to do with you. Your job is simply to pay the bill."

Few businessmen understand the balance sheet, if they did, they would realise that as an aid to running the company it is useless. The profit and loss account may seem more useful, but as far as the audit is concerned it is there simply to explain how this year's balance sheet differs from last year's. It has nothing to do with providing financial information to management.

The distinction, in fact, is between financial accounting and management accounting. If you go into a big company, you will find dozens of accountants, but only two

or three will be financial accountants. The majority will be management accountants. By contrast, in the world of small business the only accountants we have are financial accountants, who live and breathe balance sheets and P&L accounts.

Management accounting, as its name suggests, is designed to provide managers with financial information to run their business. How do you produce your own management accounts? Your first step is to work out how much you have to pay out each month even if you make no sales at all.

Most of these "overheads" do not change from month to month (wages, rent, rates, lease charges etc) so they are easy to calculate; you can do it on the back of an envelope. Suppose you work out that you have to pay £10,000 every

month in these fixed costs. This means you are going to have to earn at least £10,000 in margin each month in order to break even.

Margin, also called "gross profit", equals sales value less cost of sales. How you work out your margin differs from industry to industry. In a "trading" company, that is, one that buys products and resells them, it is best done by a Sales Invoicing package. So, if this month you have sold and invoiced 1,000 of Product X at £15 each, and you bought them for £5 each, you have earned £10,000 margin.

If my clients run a trading company, I always try to start them off with an invoicing package rather than a conventional set of accounting ledgers.

Look at the benefits. The computer produces all the invoices with

ease; most of the details required for the invoice such as customer name and address, product description and selling price, are held permanently on the computer's files. All you have to do is enter the customer code, the product code and the quantity being invoiced, and the computer does the rest.

Once the invoice has been printed, it is automatically posted to the customer's account on the Sales Ledger so you have completely up to date information on how much your customers owe you. Because the computer holds both the selling price and the cost price of each product, it can automatically work out the cost value and therefore the profit earned on each invoice. It uses this to build up histories of sales and margin earned each month, sales and margin

earned by each customer, sales and margin earned by each product, and even sales and margin earned by each supplier (invaluable data this when you are negotiating annual prices and volume discounts with your suppliers).

To be of real value, management information has to be up to date. This is another advantage of using an invoicing package. It will give you a report of the sales and margin earned in month one by 10 am of the first day of month two. No need to close the factory for half a day for a physical stocktake, then hang around for another three weeks until all the purchase invoices have arrived in the post, as you must with a conventional profit and loss account.

The potential benefits of an invoicing package are enormous, and

the wonderful thing is that there is no need to get involved in debts and credits, accruals and prepayments, or any of the paraphernalia of accounting.

But the computer industry is as ignorant of this potential as anyone else. In particular, I have found it difficult to find an invoicing package which will give a completely reliable margin figure. One package that does and which I would recommend strongly to the small business without formal accounts staff, is Cornix Invoicing. The designer has both a wealth of industry experience and a firm grasp of what an invoicing package can do.

Do not be put off by the initial setup which is fiddly. As I used this package I became more and more impressed. Although it costs only £99, I would say that for all-round features and flexibility Cornix Invoicing is perhaps the best invoicing package on the market at any price.

■ **Cornix Invoicing costs £99 plus VAT from Cornix Computers, Roisia House, 1 Roisia St, Bedford MK40 1JE. Tel: 0234-219869. Free telephone support is available for 30 days.**

## Skiing without tears for Anglophones in the Alps

WHEN YOU are young and single and learning to ski, it does not matter what your ski instructor says to you as long as he is young, good-looking and skis like a dream.

There comes a point, though, when you realise that you need some good lessons. But good, affordable teaching in English in the Alps is scarce. That is a niche filled by Sue and Kenny Dickson, their partner Alan Hole and their school, Ski Masterclass.

Two years ago, Sue and Kenny were offering private lessons in Aviemore. Like Alan, they have been qualified ski instructors for 35 years and taught mostly in the UK. They met in St Anton in 1991 where, Sue says, they "all had the same idea at once": setting up an English-language school in the Alps. For Sue and Kenny, it was the perfect time to go abroad, their three children had grown up and left home.

They decided on Courchevel 1850 where Alan had worked

briefly the previous year. It has, Sue says, "ideal teaching terrain". Courchevel offers a vast skiing area at high altitude and is popular with British skiers.

In spring 1991 they gained the French instructors' diploma. They started teaching in December but without the priority access to ski-lifts and

**Heather Farnbrough on a business that has found a niche on the ski slopes**

free lift passes enjoyed by instructors from the *École de ski Français*.

The business cost little to set up. The three rented flats for the season and bought matching ski suits. They sold lessons from the reception area of the Ski Lodge, a hotel in Courchevel 1850 run by the British tour company Ski Activity, mostly to Ski Activity's clients.

The three also visited other tour operators' chalets on Saturday evenings and Sunday

mornings to fill spare places. Classes were limited to eight compared with a supposed maximum of 12 at the ESF.

There is no shortage of qualified ski instructors in France where there are 42 alternative ski schools in addition to the ESF. Outsiders find it difficult to break into the local monopoly. The local *mairie* controls

and to sell clothes from Kenny and Sue's shop in Aviemore. At the end of the first season, Masterclass was approached by Wendy Parrott, a former ski company rep, and her fiancé Jean-Yves Lapeyre, whose company Wavehill International ran Ski Cock-tail's ski schools and shops in Courchevel, Meribel and Meribel-Mottaret. Ski Cocktail was struggling in Courchevel.

Lapeyre offered to invest in Masterclass. This would entitle Masterclass to the same same privileges as Ski Cocktail which had won equal status with ESF after court actions by Lapeyre against Meribel's *mairie* and ski-lift company.

The five founded a holding company - Auld Alliance SA. Lapeyre owns 51 per cent of the shares, but Alan, Sue and Kenny are in charge and enjoy better administrative back-up and more capital. They call themselves Ski Masterclass.

Wendy, who is a shareholder, runs the shop, rented for FF100,000 (£12,500) close to the main lift station. "Having

to buy all the equipment for the shop from scratch was a bit of a shock," says Sue.

They had to buy far more equipment than they anticipated, ending up with 150 pairs

of skis and bindings and 100 pairs of boots. They expect to spend FF170,000 a year on replacing equipment. Equipment rental should bring in about FF450,000.

This season a fourth instructor Dave Renoult and a full-time equipment technician joined. Most bookings come through the shop, but on Saturday and Sunday the instructors still go to the Ski Lodge and to Courchevel 1650 to take bookings, communicating frantically with Wendy in the shop over a walkie-talkie.

Masterclass offers five different two hour group classes for adults at FF600. "It's more expensive than the ESF, but we teach in English and only have eight in a group," says Alan. Private tuition costs FF400 for the first person and FF200 per extra person up to a maximum of four people.

This season, Masterclass is turning clients away and lessons should bring in some FF750,000 which is on target. Sue believes that Masterclass has been too small to be affected by the recession, but admits people are buying less ski-wear than she had hoped.

Kenny says the aim is to grow the business through off-piste courses, race camps, touring and children's classes. The main problem is finding British instructors qualified to teach in France. However, he expects a standard European qualification to be implemented from May 1993, which would allow more British instructors to teach.

It is a relatively straightforward business and there have been few problems. All the instructors apart from Kenny - who is trying valiantly - speak fluent French and relations



Masterclass: Sue Dickson, Dave Renoult, Kenny Dickson and Alan Hole

with the local ESF are good. Masterclass has full third party insurance cover: an instructor's worst nightmare is causing injury to a client. Judging from the lessons I attended, it seems more likely to be the other way round.

Total turnover for the 17 week trading period is expected to be FF1.2m. After salaries have been paid, it does not leave a lot but, as Sue says, "it's comfortable". The environment is one compensation. As one of the instructors said, gesturing at the mountains backing in the sunlight, "this is my office."

■ **Ski Masterclass, Galerie du Forum, Centre Station, Courchevel 1850, France Tel 010-33-73-08-22-00**

■ **Out of season: Sue and Ken Dickson, Railway Terrace, Aviemore, PH22 1SA, Scotland, 0479-510614.**

going out to see them, you might as well write their numbers down."

"Well, to tell you the truth, it is a bit boring. But if I wasn't doing this I'd only be stuck at home or doing the shopping or something."

It's the same old story: it is better than doing something else. Clearly, no amount of time at Crewe will explain what makes spotters spot. And so we turn to the father of modern trainspotting himself - Ian Allan, still running his publishing business in Shepperton, Middlesex, at the age of 70.

According to Allan, the reason for the peculiarly British

obsession with trainspotting is sheer opportunism. In an island as densely populated as Britain and with such an extensive railway network, no one is very far from a busy railway line.

"If you go to Clapham Junction (in London) you can see 2,500 trains a day. It's non-stop entertainment - there is always something going on. But if you go to a French station and wait six hours until you see another one, there are nothing like sufficient trains to keep people's interest going."

It is plausible, up to a point. But if that were the only explanation, then everyone in Britain would be a spotter. Surely there must be a more deep-rooted motivation? Something, perhaps, in the psyche? "No idea, unless it's a collect-

ing urge," says Allan. And indeed it is - or at least partly so, says Dr David Weeks, a clinical psychologist specialising in the study of eccentric behaviour.

According to Dr Weeks, trainspotters fall broadly into two main personality types. One, the schizoid type, comprises the sort of person who feels ill at ease socially and prefers the company of inanimate objects. (Examples include people who develop an unusual degree of interest in activities such as computing or weight training.) The other, the obsessional type, comprises those who want everything to be perfect. tidy, neat and clean - among them, the collectors of stamps or china and spotters of aircraft or birds, for all of whom an incomplete set of objects represents an imperfect set.

These personality traits, alone or in combination, are found in quite sizeable chunks of the population, says Weeks. They may express themselves in behavioural oddities such as fanatical enthusiasm for an obscure rock group or a losing football team, or in sexual terms, through an obsession with high heels or underwear. But there is no reason to be concerned about the traits unless they are taken to extremes, Weeks emphasises. "The vast majority of trainspotters are perfectly normal and reasonable people."

This is, of course, nonsense: we all know that trainspotters are unhinged. And yet, just one day at Crewe has shown how short a time it can take to see a considerable number of trains. Let's see now... a couple more visits would probably be enough to flush out the class 87s; after that, there would only be another 2,432 locomotives, 14,649 carriages and 28,894 wagons to go.

"It's the same old story: it is better than doing something else"

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SPORT / MOTORING

Motoring/Stuart Marshall

# Volvo estate goes glam

**T**HE ANGULAR lines are softened only slightly and the 850 looks like a traditional Volvo estate car. But appearance deceives; it is a different animal.

The ever-popular, rear-wheel driven 240, 740 and 940 estates can all be traced back to the original 144 of 1967. The 850 - front-wheel driven and powered by a silky, sideways-mounted, multi-valve, five-cylinder engine - is the load-carrying version of Volvo's latest (and best by far) sedan. It has just gone on sale in Britain at prices ranging from £17,735 for the two-litre 850 SE to £21,395 for a 2.5-litre 850 GLE.

Volvo has pitched the 850 estate at younger owners with fewer encumbrances: in short, the kind of people who want a car that drives

responsively but need the versatility of an estate. The company expects to sell around 3,000 in Britain this year and thinks many will go to fairly affluent family men in their late 30s; in other words, typical Audi or BMW drivers. Such drivers would not previously have considered a Volvo because they felt they were not old enough.

The 850 estate will, I think, surprise and impress them. Like the BMW 5-Series Touring (this column, April 24) or an Audi 80 or 100 estate, it combines sporting verve

with reasonable bulk-carrying capacity. Handling and road-holding are, of course, as safe and predictable as one expects of a Volvo. But there is no trace of the cart-horse about an 850 estate. It is a car in which long journeys on winding, hilly roads are to be enjoyed, not suffered.

The acid test of an estate car's suspension, especially a big one, is how it performs with only the driver on board. Some feel rather bouncy when running light but improve as weight is added. The 850's ride is always relaxing

shock-absorbent, yet it corners with a sporty saloon's precision. A 33ft (10.2m) turning circle makes it as handy in confined spaces as a small hatchback.

Volvo claims the 850 is "probably the safest estate on the market." Its body sides are single steel pressings laser-welded to the roof, and the force of a side-on impact is distributed over several elements to retain survival space. Anti-lock brakes are standard and a traction control system, using the same electronics, is an option. Front-seat

airbags will be available later in the year.

While the 850 is no match for a traditional, rear-wheel drive Volvo estate in sheer carrying capacity, it will be big enough for most buyers. (How often do you see a Volvo estate crammed absolutely full?) With the split-fold rear seat back-rest down, the load floor is a mere 64.5in (163cm) long compared with a 240's 77.6in (194in) or a 940's 74in (185cm). But the rear cushion folds forward to protect the front seat-backs, and converting the 850 into a load-carrier could not be easier.

Meanwhile, if you have a Volvo 240 and use it as a bulk cargo-carrier, do not wait too long to order a replacement. This cheap (from under £14,000 list) and ultra-roomy veteran will not be available after October. It will be missed sadly.

Golf

# Japanese tee ceremony

**T**HE CAR pulled up slowly and carefully at the crest of a hill and two men clambered out eagerly. In front of them was a patch of earth, smooth and flat - a tee, clearly, but one without any grass. The land plunged violently downhill to a pond ringed with wooden stakes. Beyond lay the green, slim and enticing and tilted slightly from back to front.

"Welcome to the 19th hole," said Masao Nagahara. "What club would you like? It is 180 yards to carry the water. The wind is following. I think it is a five wood or maybe a three iron. I lose many balls on this hole."

This was the scene at the London Golf Club last Tuesday morning. Wherever you looked there were men at work, raking, digging, hoeing, smoothing, finishing. The concrete cart paths, eyesores on any course, reflected the May sunshine. Far away in the distance, near where a gentle snore rose from the traffic on the M20 motorway, a gang of men picked up stones.

I took the five wood and tucked my tie into my shirt. "This is how Harry Vardon, Ted Ray and Francis Ouimet dressed when they played off for the 1913 US Open," I said. Nagahara giggled. He giggled a lot. He was entitled to. It was his course, his club, his ball. The whole shooting match as far as the eye could see was his. My shot flew over the water and the green before thudding into the retaining bank.

"Congratulations," said Nagahara, grinning. "You are the first journalist to carry the water at this hole."

The London Golf Club, which sprawls over more than 800 acres near Wrotham in Kent, will open in September. It has two courses, one designed by Jack Nicklaus personally, the other by Ron Kirby, an employee. At a conservative estimate of £30m, it is the most expensive new club in Britain.

But if anyone can afford it, Nagahara can. He earned his money by buying land around Tokyo. As the city expanded, so sold at ever-increasing profits. First he endowed a foundation in Osaka, the Osaka Sports College. Then, he endowed himself.

"This country is the home of golf," he said. "I thought to myself: I will build a golf course in Britain. Golf and life are very similar. They both have many dramas. When you play 18 holes, you have 18 stories."

A stocky man with the forearms of a stevedore, he is besotted by golf. As he piloted a Nissan saloon car around the site of his creation last Tuesday, he was asked if he knew the old joke about Nicklaus: "He was given an unlimited budget to build a golf course and he succeeded it."

Nagahara laughed so much, he almost choked. "Jack Nicklaus is the best," he said. "He is known for that. I knew he was expensive but he is best." He giggled again. "I am proud. This course is all paid for. There is no mortgage."

The London Golf Club might be the most expensive Japanese golf venture in Britain

**John Hopkins plays a round with a millionaire club owner**

overcame the prejudice that was shown to them by building their own clubs: Dyrham Park and Hartsbourne in the London area and Moor Allerton near Leeds. Now, the Japanese are doing the same.

At the London Golf Club, the aim is for 70 per cent British, 10 per cent international overseas members - and the rest Japanese. The clubhouse contains western-style showers and Japanese o-furo baths as well as a spike bar and a Japanese restaurant.

Nagahara himself is as westernised as he could be. At lunch at a local pub, he drank a lager to wash down hamburger and chips doused in tomato sauce and mayonnaise. Before taking me around his course, he donned a golf cap, put a camera around his neck and said: "Now, I am typical Japanese tourist."

Later, he insisted on taking my picture outside the handsome clubhouse.

Even Japanese money, however, must bow to British traditions. A public footpath passes through the site of the London Golf Club and no amount of money could divert it. "Sometimes, we Japanese do not understand the British," said Nagahara, clearly puzzled.

We drove through a glade thick with bluebells. "Smell them," commanded Nagahara. "They are beautiful." We visited the manor house, sadly in decay but soon to be renovated, with the oldest apple tree in Kent in its garden. Masao Nagahara looked around at all the beauty that Kent, one of England's most bounteous counties, could lay at his feet. "May in England is a wonderful month," he said.

Basketball/Patrick Harverson

# New York's hard-nosed heroes

**R**ECENT New York Knicks basketball games at Madison Square Garden have been a bit like a night at the Oscars, so hungry has Hollywood-on-the-Hudson been to associate itself with the best sports story in town.

In recent weeks, Jack, Dusty, Woody, Spike and Arnold have all been there, tasting the special atmosphere that New York generates every time it looks as if one of the city's teams is on the verge of greatness. When the baseball Mets won the World Series in 1986, New York went berserk, as it did the last time the Knicks won a championship, in 1973.

Yet since the mid-1980s, New York sports fans have had little to cheer. The football Giants won the Super Bowl in 1991, but the title was earned against the backdrop of the Gulf War, so celebrations were muted.

This year, however, the Knicks have captured the city's imagination. In the regular season they won 60 of their 82 games, ending with the second best record in the 27-team National Basketball Association.

To success-starved New Yorkers, the Knicks' performance has been especially gratifying because it was only two years ago that the team seemed mired in mediocrity.

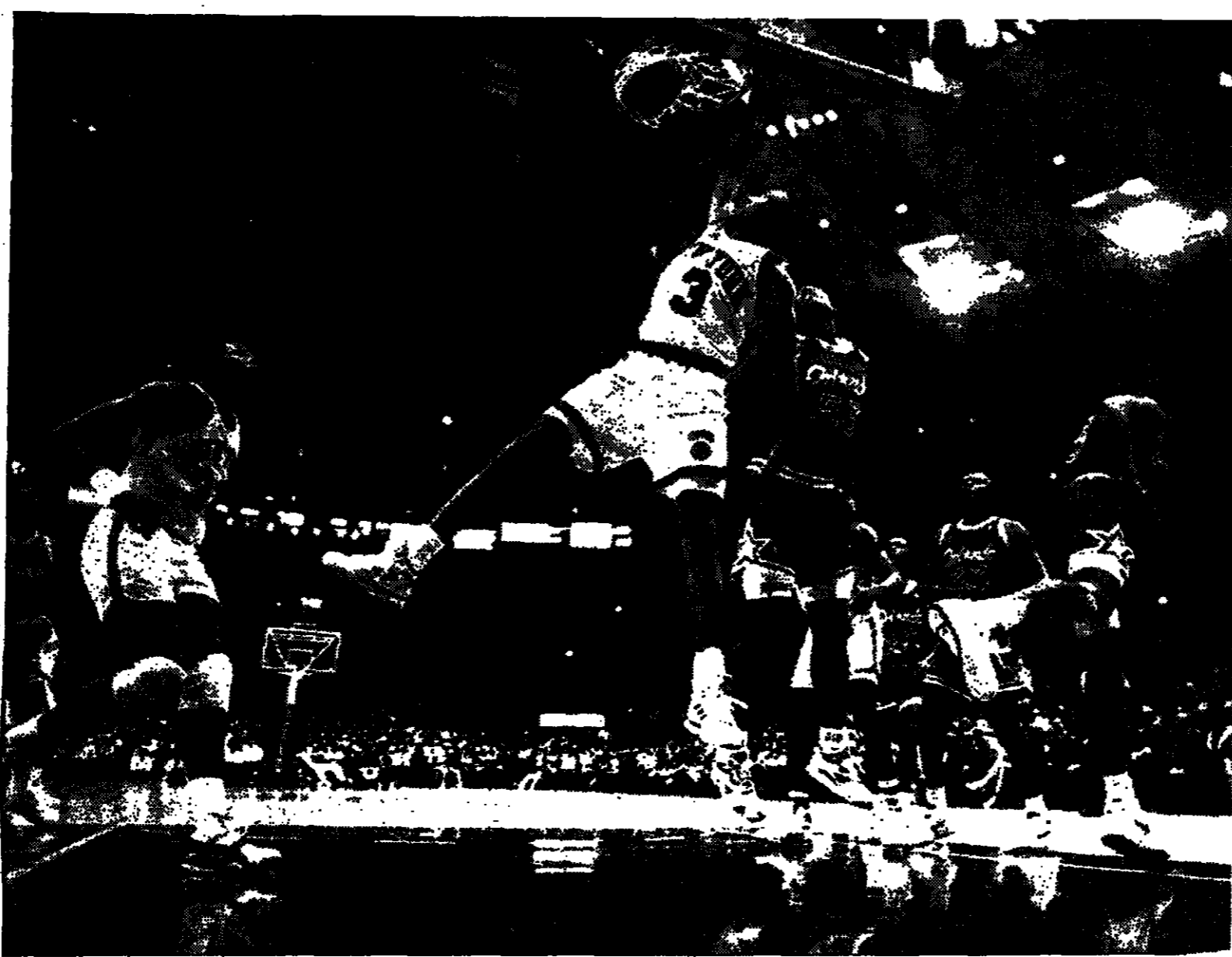
In 1991 they scraped into the playoffs, only to go out at the first attempt to the Chicago Bulls in three straight games. That poor effort disgusted the fans and the local media. The season ended in complete disarray. The coach lacked the support of his team and the Knicks' only star, Patrick Ewing, wanted to escape New York.

Yet, just two years later, the Knicks are fancied to reach the play-off finals. They have beaten the Indiana Pacers in the first round and start their second-round series against the Charlotte Hornets tomorrow.

Much of the credit for the Knicks' renaissance must go to Pat Riley, the team's coach. In the 1980s Riley coached the Los Angeles Lakers to five NBA titles, but when he joined the Knicks at the start of the 1991-92 season there were many who still believed he had not proved himself.

Critics argued that the Lakers were so good that it did not matter who coached them. They said that a team led by legends like Kareem Abdul Jabbar and Earvin "Magic" Johnson would have won five championships if they had been coached by Michael Jackson. In the Knicks, Riley saw an opportunity to win the respect that was denied him in California.

Today, Riley has triumphed, and with a team that could not be more different to his title-winners of the 1980s. The Lakers dominated through deft ball-handling and passing, and swift counter-attacks. They were



Flying high: John Starks, who sparks the New York Knicks with his aggressive play, dunks the ball against the Orlando Magic watched by team-mate Patrick Ewing

adored by their fans in Los Angeles, who liked to think that the team played the game the way they lived - creative, fast and loose.

The Knicks' have won the hearts of their city because their approach meshes closely with New Yorkers' image of themselves - hardworking, tough and uncompromising.

Above all, the Knicks' game is built around big men, aggressive defending, and an intimidating attitude that occasionally borders on tuggery.

Their bruising style has made the Knicks the most feared team in the league, and hugely popular in New York. It is not surprising that the fans' favourites this year have been

Anthony Mason and John Starks, two ferocious competitors whose intensely physical play causes havoc when they defend, and creates scoring opportunities when the ball moves up court.

The dark side of streetfighters like Mason and Starks sometimes surfaces. The Knicks' have a poor disciplinary record. On Tuesday Starks was thrown out of a play-off game for head-butting Reggie Miller of the Pacers.

The other New York weapons include the dominant presence under the basket and the accurate shooting (especially under pressure) of Ewing, the canny generalship of point guard Doc Rivers and the strongest sub-

stitutes' bench in the NBA. Add Riley's long experience of post-season play, and the Knicks look as if they have the ingredients for a championship.

Yet, over such a long haul - the playoffs do not end until June and the final three rounds involve a best-of-seven series - it may come down to which team is hungrier for the title.

After consecutive championships, Chicago's appetite may be sated. The best teams in the western division - Phoenix and Seattle - have the talent, but there are doubts over their willingness to mix it up with the toughest teams from the east.

Furthermore, the Knicks are desperate to win. Ewing, who has won

national college championships and Olympic gold, has said he will not feel fulfilled until he wins an NBA title. Veterans such as Rolando Blackman and Rivers know this may be their last shot at glory, and Riley wants to prove he can win it all with a team other than the Lakers.

As for Mason and Starks, they have reached the top the hard way - via the basketball wilderness of semi-professional leagues, obscure European leagues, and no-hope 10-day contracts with losing NBA teams. As Starks said recently: "Remember, I wasn't supposed to be in the pros. But once I got a taste, I knew it was just a matter of time."

Motor Racing/Martin Jacques

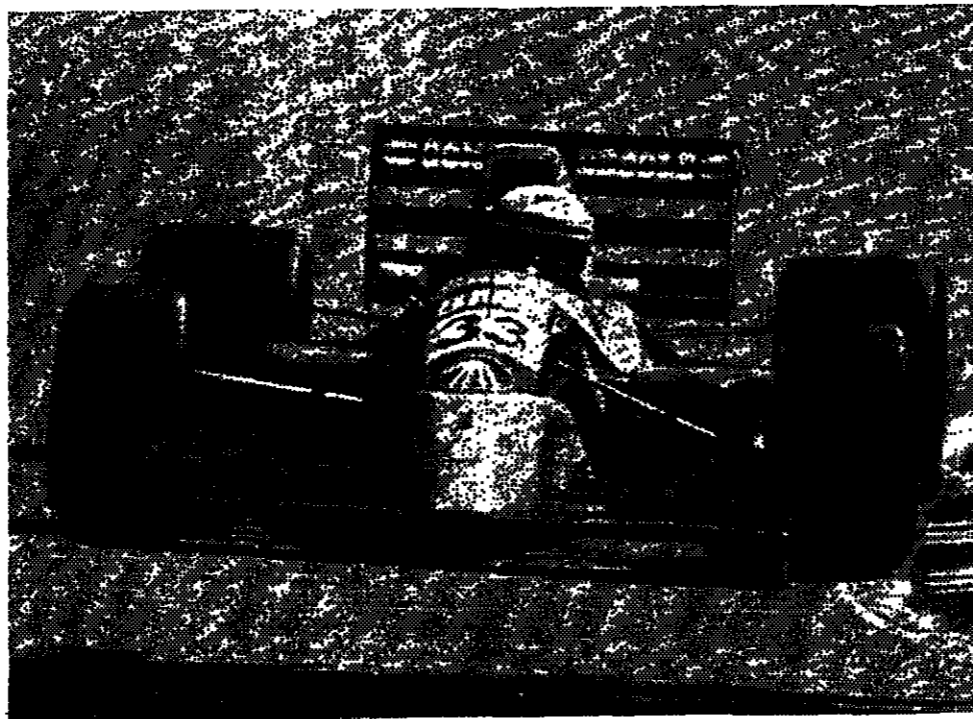
# Formula which can't find success

**T**HE British Grand Prix at Silverstone is one of the premier events in the sporting calendar, attracting a crowd in excess of 200,000 over three days. The 16 grand prix that make up the world championship all draw big crowds. But motor racing, unlike some other sports, resembles a head without a body. International football matches may pull the punters in, but so does the Premier League every week. Test matches attract big crowds, but so do the one-day knock-out competitions. Apart from the grand prix, however, attendances at motor races are usually very small.

Last Monday, there was a Formula 3000 meeting at Don-

ington Park. You have probably never heard of the formula but, in the motor racing pecking order, it is second only to Formula One. The cars look like F1 cars. The engines are very powerful, the racing is always close and, for the drivers, it is the last stepping-stone before F1. Since it was introduced in 1985, virtually all grand prix drivers have graduated via F3000. Yet the crowd at Donington Park was a paltry 5,000 and the one for the meeting at Silverstone tomorrow will be little better.

The problem is not confined to Britain. Only when the race is held during a grand prix weekend, as at Spa in Belgium or Hockenheim in Germany, do attendances become respectable. The other exception is the street race at Pau in the Pyrenees when motor racing goes to the people. The fact that F3000 meetings attract such small crowds is partly a function of the limited draw which motor racing remains outside F1. But that is not the only reason. F3000, unlike F1, is starved of publicity. The key is



Practice lap: Alessandro Zanardi in his F3000 days. He now races for Lotus in grand prix

television. This has transformed the profile of F1 since the mid-70s, and is now beginning to work its magic on the British touring car championship which is being broadcast regularly by the BBC. Apart from small satellite stations, however, F3000 gets no television coverage whatsoever.

Wandering around a more or less empty Donington last Monday, the inevitable question was: how does the whole thing survive? There are few spectators, no television receipts, and little advertising. And F3000 does not come cheap: a new Reynard, the dominant chassis this year,

costs £115,000, two engines for the season a further £125,000, and the electronics some £30,000. This is just for one car, and most teams run two. Then there are the staff, perhaps 15 or so full-time. One could go on: the tyre bill for the average team at Donington was over £7,000. And then there are the fixed costs, the transporters, the offices and so forth.

Keith Wiggins, the owner of one of the top teams, Pacific Racing, estimates that, to do the full nine-race season with two cars, he needs to raise £12m, most of it through sponsorship. So far the team has £800,000. Unlike in F1, though,

where the teams raise the bulk of the sponsorship money themselves, in F3000 the drivers are responsible for getting most of it. In Pacific's case that means more than 80 per cent. The two drivers, David Coulthard and Michael Bartels from Germany, have raised money from British and German companies including Crooks Healthcare, Highland Spring and RH Allured, a German wheelmaker.

So what happens if teams like Pacific fail to raise all the money they need for the season? A favoured route is for teams to replace drivers in mid-season with new drivers

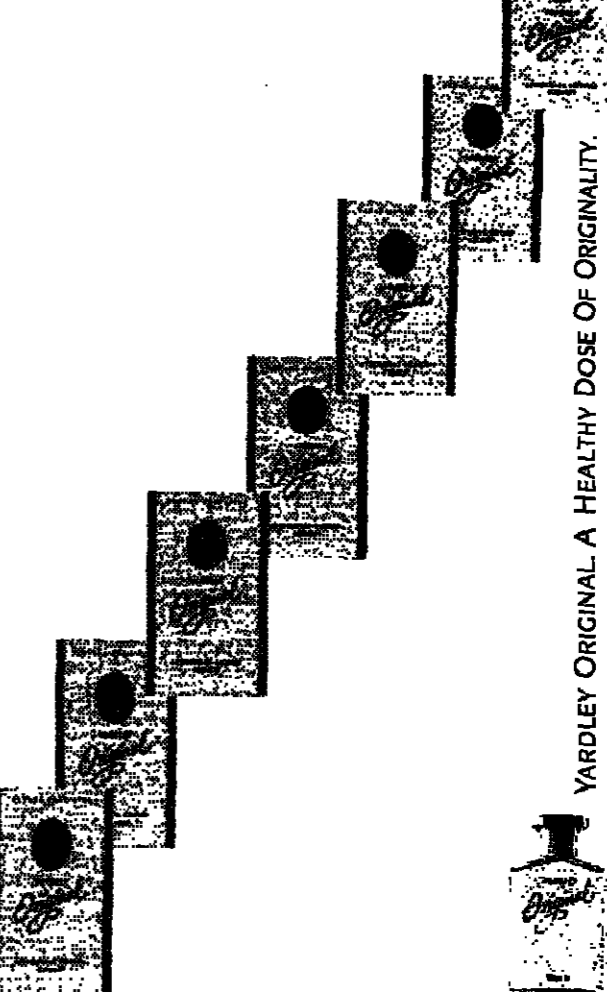
who can bring in additional finance. Cars can appear for the second half of the season with a new driver and even in a new sponsor's livery. Falling that the team can be forced to withdraw, which is by no means unknown, especially in the present economic climate.

The life of a F3000 driver, who is generally in his early or mid-20s, is clearly not an easy one. Apart from driving, he has to raise most of his team's money. The personal financial rewards, meanwhile, are strictly limited. The top drivers may earn in the region of £50,000-£70,000, but most earn closer to £30,000, all paid directly by the sponsors. The lure for them is the promise of a career in F1.

So what about television? The rights, as for F1, are held by F1 Constructors' Association and its boss, Bernie Ecclestone. Ecclestone has, it would appear, always been disinclined to give F3000 the boost it needs, perhaps for fear of detracting from the golden egg. F1. At the moment his worries are well-founded. With F1 a dull and predictable procession, the crowds at this season's European grand prix meetings have been down and no doubt this is also reflected in television audiences.

Meanwhile, the British touring car championship is busy demonstrating that F1 need not have a monopoly of the big crowds. At the meeting last Monday at Snetterton near Thetford, a record crowd of over 20,000 crammed into the circuit. Last year, a similar meeting at Brands Hatch attracted nearly 50,000. There is no substitute for the power of television in modern sport.

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## FASHION

Dressing for the Professions: The Lawyer

## The evidence points to the judge in moonboots

THE LONG arm of the lawyer is dressed, according to convention, in sombre black, charcoal or navy. This is not so true universally as it used to be, except for formal court appearances, but the outside world could be forgiven for assuming that little has changed since the days of Dickens' Jarndyce and Jarndyce.

Lawyers never feature in the "best-dressed" lists and the law is arguably still the most conservatively dressed of professions partly because of what City solicitor Julian Harris calls "the dignity of the law."

Lord MacKay of Clashfern, the Lord Chancellor, recently issued a discussion paper questioning the basis of formal court dress, but, says Harris, "Clients like to see their lawyer in a gown and a sober suit. It implies seriousness and reliability. I always wonder how American lawyers, in short-sleeved summer shirts and no tie, command any respect."

The word that trips most regularly off legal tongues in relation to their dress is "professional". The universal drive is for appropriateness, although the sombre public image of lawyers is self-perpetuating in that most like to dress as the client would expect. There is also a tacit suggestion that discussing dress trivialises the profession.

Yet thinking about their own dress and commenting on that of others is rife. It is perhaps inevitable that a profession which thrives on details and minutiae, and which dresses in uniform, should register any act of non-conformity - a tendency magnified by the cloistered, collegiate atmosphere of the Inns of Court. Equally, there are those who, within the obvious constraints, make a point of expressing their individuality, subtly.

Charles Gray QC, a libel specialist involved in many cases brought against the media, is regarded as cutting a dapper figure. His wide-lapelled, double-breasted chalkstripe suit - bought off-the-peg - gold cufflinks and discreetly bright tie are as effortlessly stylish as the comfortable antique furniture in his chambers. But he says: "This is a profession where one is deliberately

not making a statement. A court is a formal situation where minimum standards must be maintained and not to do so would have a deleterious effect. So we agree on a dress code and it is not an issue. Anyone keen on exotic dress would be unlikely to choose the Bar as a career."

He agrees there have been changes. "Twenty years ago barristers still wore a costume of black jacket, striped trousers and bowler hat and more recently a waistcoat was the rule in court. Now double-breasted suits are more fashionable. Standard dress does alter but not in a time-scale of less than five years."

Julian Harris is more openly

flamboyant. His suits are traditional enough - with a penchant for nostalgia. He has three-piece suits made by Hackett - but he believes "one can express individuality with colour, in ties, shirts and socks." A senior partner once told him that "a tie should always mean something," implying it should be club or regimental. To Harris it should mean something about the wearer's personality. His own occasional treat is a Hermès tie, justified by the fact that at least two of his clients wear them.

"Years ago when I was still articled, I once wore a three-piece tweed suit. The senior partner merely said, 'off to the country are we?' but I've never done it again."

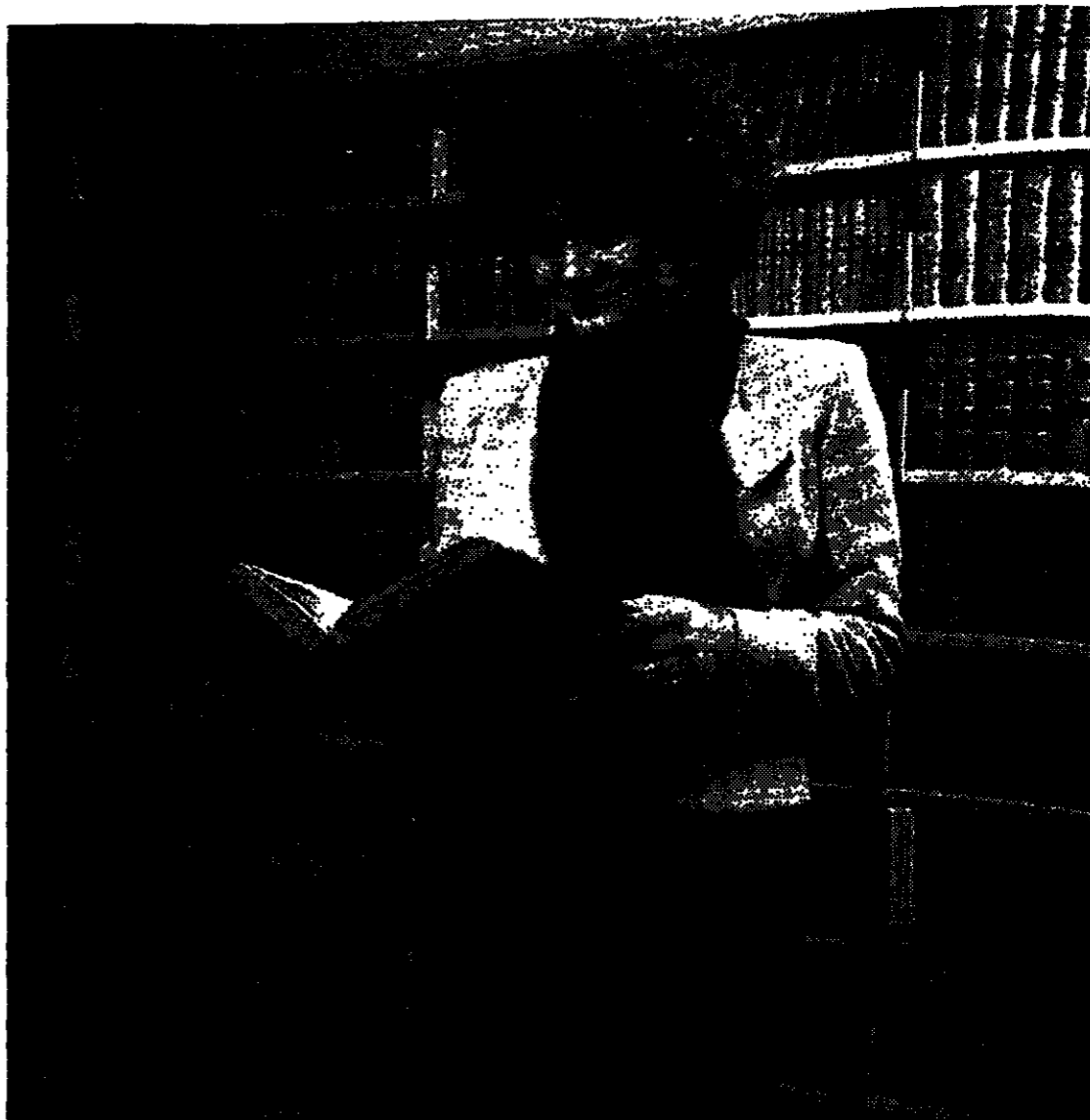
Even less is needed to cause comment out of London. Nick Toovey is a partner in a big Cambridge firm, with clients varying from farmers to academics and high-tech companies.

"Our style is not as provincial as the brown tweed suits you might find in a market town practice," he says. "I dress as I think the client would expect and that usually means a dark suit. But in summer I occasionally wear a lightweight suit or jacket and trousers which my colleagues find quite radical. I also like the individuality of bow-ties which are a bit of fun when the client is appropriate."

Another aspect of the law's eye for detail is the network of rules governing dress in court which are rigorously applied by some judges and not just elderly male ones. Baroness Mallett, QC, saw a particularly fierce woman silk, now retired, castigate a young female barrister wearing a black but sleeveless dress. The barrister bought a pair of long evening gloves and cut off the hands. Women in striped shirts were known to hide in the robing room lavatories until the same silk was out of the way. Lady Mallett was told off as a young barrister when, having scraped her long fair hair back so it was invisible from the front, the resulting ponytail showed outside her gown.

Dress is still a sensitive issue for the growing number of women lawyers. Some fashion companies aim to help - Austin Reed has a specialised department and runs conferences at its stores round the country. Robe suppliers Ede and Ravenscroft recently asked young designer Bella Freud to produce a capsule collection, though its uncompromisingly pinstriped nature is not to everyone's taste. They are also stocking the shirt range by Madeleine Hamilton, herself a former solicitor, who appreciates the need for good-quality shirts that are plain, comfortable but with interesting details.

Younger women lawyers see little need for such specialist sartorial resources. Gillie Belsham is a young partner in a City solicitors' firm. Her work, which concerns marine insurance, includes court appear-



Gillie Belsham in a favourite wool crepe jacket by Arabella Pollen, a wool crepe wrap skirt from Austin Reed, a cashmere sweater and a soft chiffon scarf. Hair and make-up by Kez Sinder

ances, client meetings and ship inspections worldwide, and gives scope for a surprisingly varied wardrobe.

"I am not afraid to look as if I'm interested in fashion as an expression of my personality," she says. "It should never obscure my professionalism but I won't spend my working life in a sub-knee A-line skirt. I want to look and feel confident and efficient and don't want to think about my clothes once they are on. And the law is no longer a 'man's world' where one might feel the need to ape men in pinstripes or mannish jackets."

She has evolved her own version of the working woman's wardrobe - non-matching jacket and skirt just above the knee, with the jacket dark for court, bright or pastel for

client meetings, the skirt always dark, with a simple silk or cotton shirt or cashmere sweater, complementary but discreet jewellery and bright lipstick. She likes feminine, fitted jackets, either short and curvaceous or long and collarless, and finds she gets more mileage and fewer mistakes from designer labels than the middle market - Valentino, St Laurent and Anne Klein are her favourites.

Having declared her interest in fashion, she finds her style changing faster than the men's five-year-plus timescale. The power suit looks dated now and chiffon scarves, softer necklines and more fluid fabrics like crepe are creeping into her wardrobe. A wrap crepe skirt looks smarter with her fitted jacket than the straight jersey skirt she would

previously have chosen. Ironically, her first appearance in the new long-line skirt caused as much comment as the first short skirts did five years ago and most women still choose short for court.

In the end, it is perhaps a matter of what you can get away with, and for a competent and confident lawyer that can be a lot.

Baroness Mallett knows at least one male barrister with a ponytail and several women silks who wear trousers in chambers. "Then there is the question of boots in court," she says. "I've always worn them, ever since I appeared in a freezing cold county court and discovered afterwards that under his robes the judge was wearing moonboots."

Avril Groom



Charles Gray, QC, in his off-the-peg double-breasted pinstripe suit, off-white shirt and "discreetly bright" tie

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HOW TO SPEND IT / FASHION

# Good design can save money and time

Lucia van der Post on small, domestic architectural projects

**C**OME difficult times and architects are among the first to suffer. The last few years have been tougher than any in living memory. From big companies, to small, specialist groups, hardly one has not had to rethink, retrench and regroup. Bad times for architects are often good times for clients. In Britain a host of young, hungry practices now has the time and energy to invest in small projects - which means that customers will get better value than ever.

Clients can be rewarded with the undivided attention of some talented architects. For the architect, any project, no matter how small, is better than no work at all, and, after all, small projects can

eventually lead to bigger ones. Many are hungry for the work experience and some actually prefer smaller projects.

One reason why architects in the UK are not better used - and better understood - seems to be nervousness on the part of the public. Many people seem to feel that using an architect is the path to outrageous extravagance - if not uncompromising design.

Zeev Aram, of Aram Designs, believes passionately in persuading people that architects are much more than an expensive luxury. A good architect can provide a better solution at lower cost than the haphazard amateur approach that most householders adopt on their own.

Hoping to make the public more aware

of just what a difference a good architect can make to any house project, Zeev Aram has taken an exhibition, originally on at the Royal Institute of British Architects in Portland Place, London, and is displaying it in his Hampstead, London, showrooms where he hopes to attract the house-converting classes.

Every project on show has cost less than £50,000 and I feel sure that visitors will be amazed at what good value clients received. The work of Britain's youngest, most promising architects is on show.

The exhibition is on at Aram Designs, 65 Heath Street, Hampstead, London NW3 6UG from now until May 16, so hurry. Featured on this page are a few of the most domestic projects.

## Light, airy and small

WHEN JEREMY Melvin, a working journalist and academic, bought a top-floor flat in a standard end-of-terrace Victorian cottage near Waterloo, he was faced with a familiar problem - how to conjure a light, airy environment out of an intrinsically restricted space, how to find a working area for himself and shelves for all his books.

He asked Allford Hall Monaghan Morris Architects to tackle the problem.

The flat was too small to lend itself to a major conversion. Melvin's main brief to his architects was to rewire, clean up and redecorate, tidy the kitchen and bathroom and create space for him to work and hold large parties.

The solution to the study area was partly inspired by an Antonella painting in the National Gallery (photographed here) and partly by Melvin's own statement that the hall, between the living and bedrooms, he found was one of the most congenial parts of the flat.

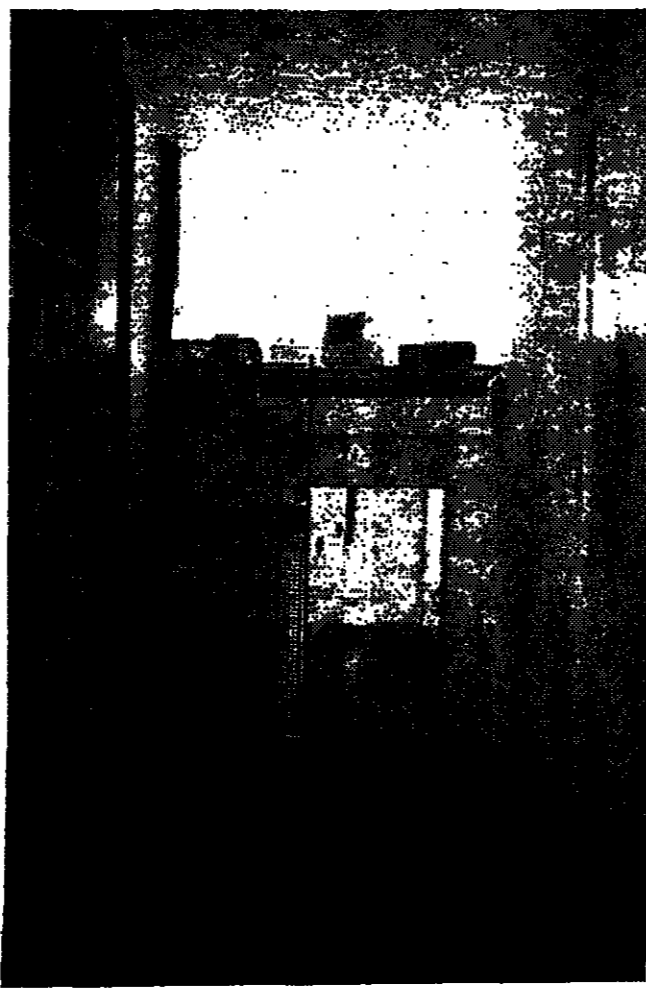
Using the headroom over the landing and space above the head of the staircase, a study area was made. The whole structure - desk, platform and toughened glass balustrade - is cantilevered off side walls by a steel structure. The end

result is light and airy. The desk, of aluminium honeycomb sandwiched between two pieces of glass, reflects light and yet is sturdy enough to support necessary equipment.

The wall in the hallway is now filled with books. To meet the brief for a space large enough for a bigish party the doors into the living-room and into the kitchen were widened so that the two spaces could be united.

The end result is simple and functional but with enough character to please the eye and spirit as well. All this was done for £20,000.

Allford Hall Monaghan Morris, 9 Alfred Place, London WC1E 7ETel: 071-323-2080.



## How minimalism changed Patricia's lifestyle

PATRICIA IJAZ decided to get professional architectural help when she could not sell her dark and cramped London flat. In despair she decided that if she could not sell it she might as well see what an architect could do to make living there more bearable.

She found Jonathan Woolf and her life was transformed. The ground floor, one-bedroom apartment took up just 70 square metres in a Victorian mansion block. The kitchen was too small, the bathroom too large and the corridor long and claustrophobic.

Much of the skill of the conversion depends on Jonathan

Woolf's skilful use of light which gives the whole flat a warm airiness. All is designed to give the illusion of greater space. Much thought has gone into the small things that contribute to the sum of the whole - the placing of a sofa, how to link the rooms visually, what materials and surfaces to use, which direction to lay the floorboards.

There is a suspended gallery which Jonathan Woolf devised to "liberate the space". This provides the study area and a steel ladder links it to the ground. Wood floors replace fitted carpets. Where once there were ponderous radiators

now the heat source is invisible, hidden under the floorboards. The curtains came down and were replaced with blinds. New and taller door openings encourage Patricia to use the whole apartment as one space. Fiddly, unnecessary details have been removed, liberating not just the space but the eye, so that the whole flat has an air of calm.

The space is still small, but the air of depressing darkness and smallness has gone. Patricia Ijaz has embraced minimalism and found she likes it. Jonathan Woolf, 49-51, Rathbone Street, London W1P 1AN. Tel: 071-637-0991.

## A conservatory without historical pastiche

STATISTICS tell us that adding a conservatory is top of the home-improvement popularity pole - but you have only to look in most decorating magazines to see that the prevailing taste seems to run to Victorian or Gothic-style reproductions.

Form Design, with a fascinating project carried out on a listed house in Montpellier Row, Twickenham, not only has provided a successful solution for a particular house, but may perhaps provide inspiration for those who have always felt that there ought to be more to conservatory life than historical pastiche.

Montpellier Row dates from 1720 and the lower ground

floor area constituted about a quarter of the house area, but it was dark, dingy and unattractive. Form Design's brief was to liberate the space, to create a family kitchen and dining area as well as the conservatory, and to respect the original fabric and architecture of the house.

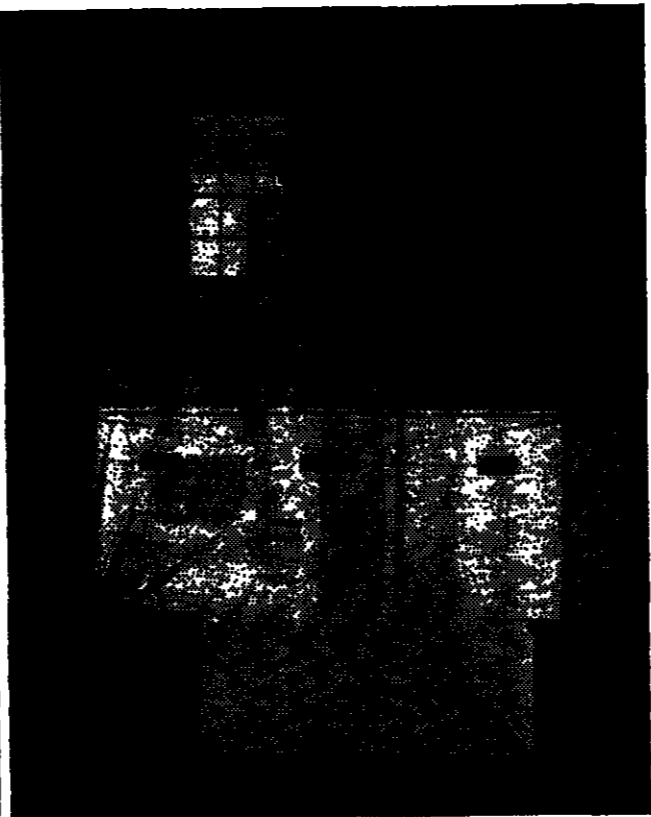
Form Design aimed to make any new addition as neutral as possible and as contemporary as possible. As Malcolm Crayton, the architect in charge of the project puts it: "We wanted to design in the spirit of the original building but did not want to create a pastiche."

The result is a clean, simple solution, which depends on a

light touch, a respect for proportion, for simple planes and shapes. The company achieved this by building a frameless glass structure which allows the light to flow in from the south-facing garden.

The company reversed the positions of the dining and kitchen areas. The low ceiling, is scarcely noticeable. All the finishes are light, from the steel and maple kitchen island, echoing the large, traditional kitchen table, to the honey-coloured limestone floor and colour-washed walls. Total cost of the project was £47,500.

Form Design, 67 - 69 Chancery Lane, London, WC2A 1AF. Tel. 071.831.3850.



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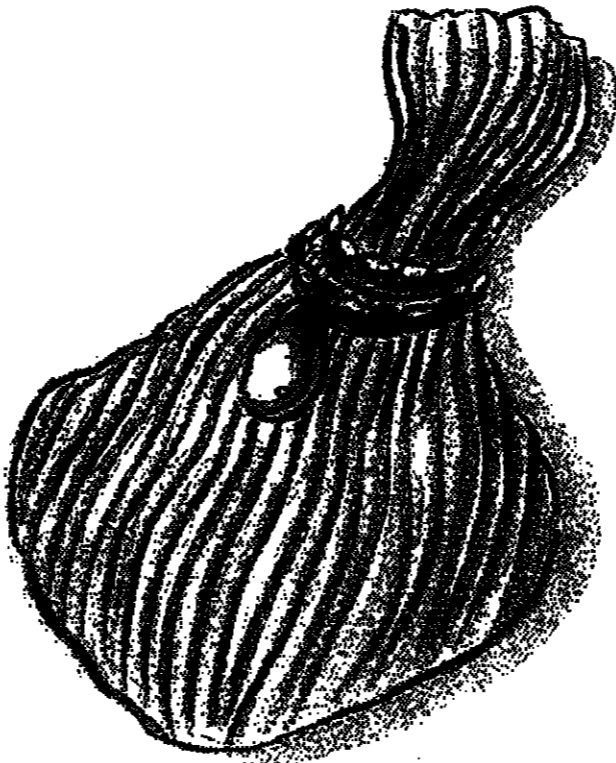


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## Elite and silky pleats



ELIZABETH HALWAS does wondrous things with shimmering lengths of Indian silk. She starts by pleating it. Fortuny-style, and then she turns the results into accessories. Most desirable are probably her bags in gold, bronze, silver, green, purple, or almost any other colour - each one different.

Many come embellished with beads - either antique Indian silver, onyx and hermatine, tiger eye or any semi-precious stone. Others are embellished with fresh water pearls or oyster shell and real pearls. She is willing to make to order.

Plain silks come in all colours but there is a heavier metal and silk mixture which comes only in silver, gold, green or purple.

Sketched here are just two examples of her designs. They are almost works of art in themselves and are clearly for nothing more practical than an evening out to dinner.

Prices range from £90 to about £140. Lucienne Phillips, at 89 Knightsbridge, London SW1, has a good selection. Otherwise they can be bought directly from Elizabeth Halwas, 34 Cornwall Gardens, London SW7 (by appointment only, tel: 071-837-4703). She is also happy to dispatch by mail.

Halwas also does beautiful

scarves - a silver of pleated gold or bronze at the neck does wonders for the most boring black dress. For those who fall in love with the fabric she can do larger garments. She would be happy to discuss designs by telephone.

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## PROPERTY

# The lure of life down by the old mill stream

**O**WNERS of water-mills must like water. Even if the leat - the channel that takes water from the main stream to the mill - has dried up, the river will be flowing nearby.

Watermills are not for parents who worry about children falling in. But they make satisfying, romantic houses, rich in associations. And there are plenty of them - if often ruined - since, from medieval times onwards, every community wanted its own mill. Like blacksmiths' forges, they were essential to agricultural life.

Wind and watermills made cheap power, as hydro-electric schemes and wind farms continue to do. With the Industrial Revolution, the principles of grinding flour by water power were adapted to textiles and other industries, and the word "mill" took on the extra meaning of a factory.

Millers prospered, and often had a reputation for being unscrupulous. The usual way to pay them was a proportion of the flour, which they sold on. Chaucer wrote about a 16-stone miller with a wart on his nose while George Eliot, in *The Mill on the Floss*, has the stubborn, eager-to-expand and irascible miller Tulliver ruined after losing a case about water rights. But Petham Mill in Constable's paintings has a peace that greed could never disturb.

Few windmills have become houses, since their wood has not survived so well on the exposed sites they need and being round makes them more difficult to adapt. Also, they are colder than watermills, sheltered in the valley. But Gibraltar Mill at Great Bardfield, Essex, a 17th-century brick tower mill with boat-shaped cap, has just been sold

by Mullucks Wells for close to the asking price of £195,000. As you would expect, it has splendid views and some internal machinery survives. The stocks, sweeps and fanfall outside were renewed in 1986.

If you are looking for a watermill, decide if you want one that still has its machinery, either working or derelict. Do you want to restore it as industrial archaeology? Or will it be a relief if only the pond and mill race are left?

If the leat is dry, it becomes a curious channel in the garden to remind you of what is no more. If it runs, does it have trout or could you stock it? If you want to remove machinery and the mill is listed, check with the district council to see if that needs listed building consent because the equipment counts as fixtures.

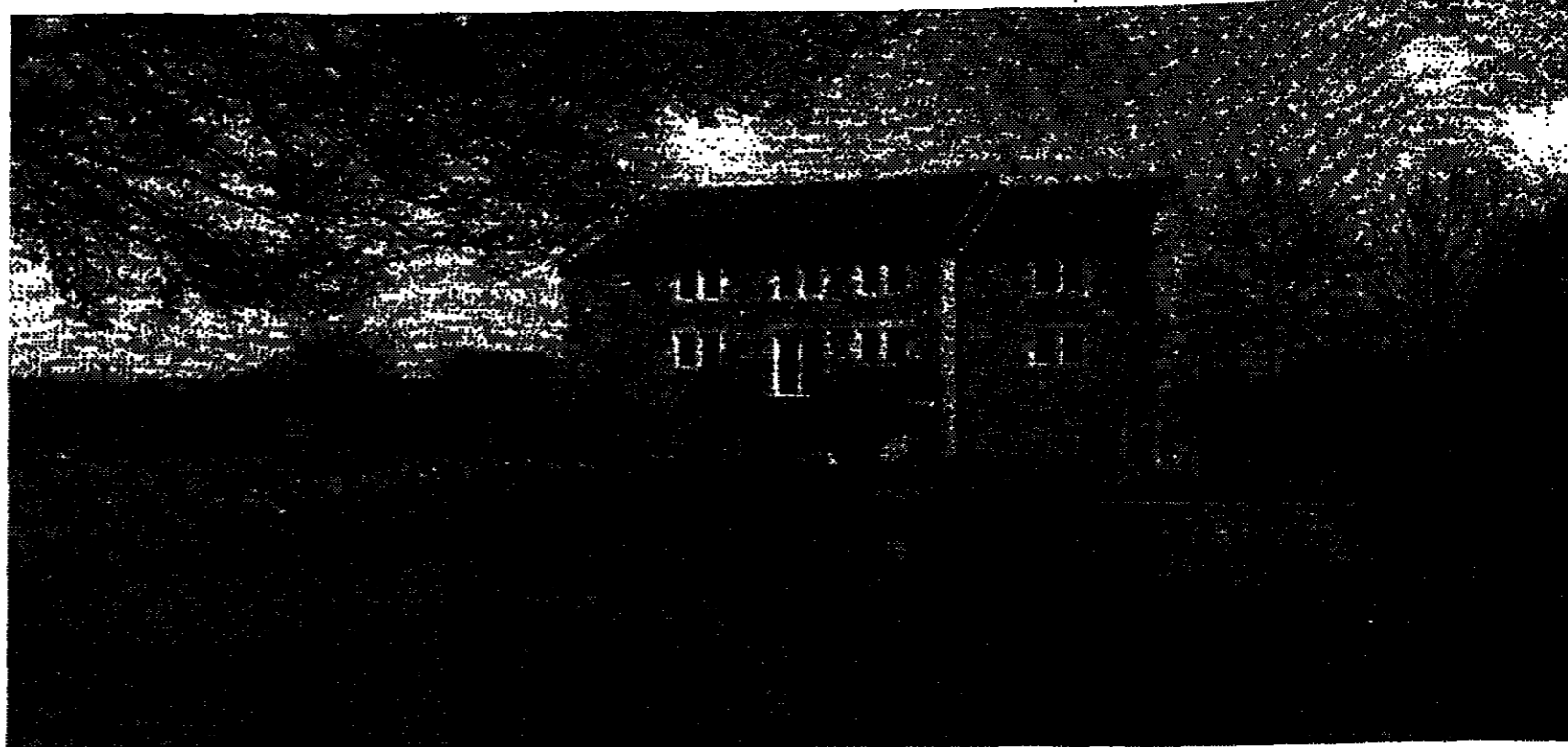
Several West Country mills are for sale. Cheapest is The Mill in the village of Hensley Mill on Exmoor, with the old

Down the valley, the water from the leat and stream pour over a 60 ft waterfall onto the beach, which is good for bathing, surfing and fishing. Gribble Booth & Taylor offers it at around £250,000.

In Somerset, Sea Mills Farm at Poasmarsh, near Ilminster and close to the A303 and M5, comes with 15 acres, a leat stocked with trout and two ponds fed by the river Ilse (from Jackson-Stops at around £350,000). Near Frome is the 19th-century Iron Mill at Oldford, with fishing rights on leat and river and a guide price of £310,000 from Cluttons.

As recently as 1989, Bishopstrow Mill on the river Wylye, near Warminster, was said to be the last working mill in Wiltshire. Now, the mill race is illuminated beneath the drawing room floor. It is new on the market, from Hamptons or Cluttons at around £270,000.

Dearer, and easier for London, is the Old Mill at Hook



Above: Iron Mill in Somerset, with fishing rights on leat and river, for £310,000. Below: Bishopstrow Mill in Wiltshire where the mill race runs under the drawing room floor. Price: £270,000

D. Wood is seeking £120,000 for this unusual abode. Nearby in Boxford, and close to junction 13 on the M4, the Mill House is more conventional. It also has trout fishing - on the river Lambourn - and comes with 18 acres for about £350,000 from Strutt & Parker. In the Suffolk countryside painted by Constable is Raydon Mill, on the river Brett

Scotland, was a derelict woolen mill until converted recently. It has a splendid site above the Black Water at Bridge of Gaily, and offers over £195,000 are sought by Savills in Brechin.

Tomorrow, meanwhile, is National Mills Day when the Wind and Watermill Section of the Society for the Protection of Ancient Buildings (37 Spital Square, London E1 6DY) urges a visit to your local mill. This essential group for mill buffs publishes a newsletter which includes a regular list of mills for sale.

An Italian proverb says: "Mills and wives are wanting." At least you can buy a mill on the open market and test this saying's veracity...

**Further information from:** Cluttons, Bath (0225-69311); Gribble Booth & Taylor, Barnstable (0217-75784); Hamptons, Salisbury (0722-411363); Jackson-Stops, Yeovil (0935-740-66); Knight Frank & Rukey, Oxford (0865-790-077); Mullucks Wells, Bishopstrow (01275-755-400); Savills, Brechin (0566-622-187) and Ipswich (0473-226-191); Stags, Dulverton (0394-23-174) and South Molton (0769-572-863); Strutt & Parker, Newbury (0635-321-707); John D. Wood, Newbury (0635-323-225).

## Chaucer and George Eliot wrote about it but prospective owners must have a liking for water, says Gerald Cadogan

drive wheel and two sets of granite millstones in what is now the kitchen. Stags in Dulverton offers it for around £115,000. The South Molton branch of that firm is selling Colleton Mill, near Chumleigh between Exeter and Barnstaple, making a substantial house for £138,500.

Near the North Devon coast and almost in Cornwall is Dorton Mill, at Hartland. It has seven acres of well-known gardens, the head weir to divert water into the leat - which has wild brown trout - and a traditional miller's apple orchard. (These were more to provide wood for the machinery than for fruit).

near Basingstoke, Hampshire, a warm 17th-century brick and timber house converted as early as 1910. It has eight acres and trout fishing on the river Whitewater, from Strutt & Parker at around £290,000.

The Sack Hoist is a penthouse flat in the mill at Kintbury, which overlooks the river Kennet and the Kennet and Avon canal between Newbury and Hungerford in Berkshire; the hoist is the projecting loft for lifting sacks of corn to the top floor. The 1982 conversion won an award for architect Paul Palmer & Smith. The flat has two bedrooms, a lease with 85 years left and ground rent of just £10. John

near Hadleigh. The main room has a glass panel in the floor to see the mill race. With a mill cottage, outbuildings, fishing and four acres, it is on offer for around £350,000 from Savills in Ipswich.

Cheaper at £295,000, perhaps for being beside the railway line to Cambridge, is the Mill House at Elsenham, a village near Bishop's Stortford that gave its name to a range of jams. It is built of brick with a diamond pattern in the roof tiles, and dates to 1668 when a London family settled there after fleeing the plague. Inquiries to Mullucks Wells. Plasht Mill, five miles from Blairgowrie in Perthshire,

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GARDENING AND PERSPECTIVES

# Storm-smashed Tresco proves there is life on earth after death

Robin Lane Fox visits the Isles of Scilly and finds that a horticultural paradise is being regained, slowly

I HAVE JUST spent two days, walking through a paradise which is recovering from disaster. Disasters are not supposed to happen in paradise and they make me desperate but, in future, I will remember Tresco - the proof that there is life on earth after death.

For more than 100 years there have been huge, private gardens dotted out in the Atlantic at Tresco Abbey on the Isles of Scilly. In 1893, the *Gardeners' Chronicle* wrote: "Never have the fine sub-tropical gardens of Tresco presented such a remarkable appearance as at the present time, nor has its equal been seen in any other part of the United Kingdom, perhaps not in Europe."

In those days, there was no helicopter to shorten the journey - although there was a railway to Penzance, which was possibly no slower than the modern version on a bad day.

Nonetheless, for years I never went there. The flora sounded completely alien and needed an Arthur Hellyer to understand it. I dislike palms, and some of the old photos implied a style of seaside bedding which looked as if it was training for Britain in Bloom.

Paradise repaid the commitment and managed happily without me until I planned to catch a boat in 1987. It forestalled me by falling to pieces: a freak month of snow and chilly wind beset the gardens and murdered the flora, which had never known such conditions before. The famous flame trees died by the score and more than 90 per cent of the rarities from the Antipodes were destroyed.

The staff tried to rally under the leadership of Mike Nelhams, then only 30 but appointed as head gardener a short time before. By 1990, progress had been promising and I planned again for a visit.

But paradise do not like athletes: a stupendous gale in January last year wiped out



Paradise in the process of repair... how Tresco looks today. English Heritage is helping with the restoration

the tall cover, ripped through the boundary trees and disposed of the garden's backbone. If I had been in charge, I would have resigned the following morning.

Not so Nelhams (or Tresco's present owner, Robert Dorrien Smith). Perhaps it was fortunate that disaster befall two men young enough to be resilient. While the older, life-long staff were distraught, Nelhams could see the chance for a resurrection - rather than a mindless restoration - with

the scope for variation and possible improvement.

Such is Tresco's collection that it is easy to forget the place was founded entirely privately. A century ago its founder, Augustus Smith, was known for being almost too covetous of plants and "gifts" from the Royal Botanic Garden at Kew, in London. His successor maintained equally wide contacts - among them, the great garden at La Mortola, the child of the Hanbury family who were planting in a remarkably similar style.

Since 1987, Tresco has been begging once again from Kew and ordering seeds from the newly-revived La Mortola list. English Heritage has made a generous commitment to an

agreed five-year plan, which could cost up to £400,000 eventually and involves massive clearing and replanting several thousand trees on the adjoining hill.

Otherwise, Tresco has to fund itself to the tune of about £90,000. Up to £20,000 comes from its notable plant stall and most of the rest from visitors' fees. There might be rather more if a stop could be put to French visitors' occasional habit of rear entry. The less thoughtful of them still land on the beach and - as I discovered while inspecting the nursery - enter illicitly, like Norman raiders, over the low garden wall.

The rest of you should certainly go through the gate and

enjoy what is on show already. Masses of plants are in flower; the famous hedges of holm oak are still in place; the Canary Island palms seem quite untroubled; and rarities from Mexico have proved much tougher than expected.

On almost every point, my mind's-eye view of Tresco has been refuted. I had thought the place was an unstructured jungle; that the plants were all steamy cacti; and that you had only to plant a cutting and the Gulf Stream, the soil and the humidity would hurry it to maturity within three years.

Admittedly, there is a plant from Tresco in the Guinness Book of Records: once, a yucca Whipplei grew more than 12 ft in only 14 days. The growth,

however, was its flower stem. Elsewhere, progress is much slower.

The garden is very dry: the soil is less than 2 ft deep above much of the granite and the staff of only four full-timers cannot water seriously in 12 acres of flower-bed. It rises steeply from lower to upper terraces and the climate varies from cool to hot and barren.

Even before 1987, it took a flame tree 30 years to reach a significant height. Almost every year since the 1890s, disasters have been referring to sea gales and the losses of a few significant trees; 1990 differed in degree, not kind, but the loss of the windbreaks has been doubly awful. The lower layers are now exposed



Tresco before the wild Atlantic winds smashed it

to new winds and drought and the views are no compensation. "If I can see a view," Nelhams told me, "it means that the wind can see me."

Tresco's core is a pair of long, straight walks, less than 10 ft wide, which cross at right angles and run its entire length and width. They remind me at once of the similar backbone to great Italian Renaissance gardens: the Villa Medici, for instance, in Rome. Tresco's first owner must have seen them, a model for his plan which is wonderfully formal at its centre.

Even before the storms, there were old friends among the exotics. Huge trees of camellias rub shoulders with rare banksias; honeysuckle is mixed among rarities from New Zealand; the abutments are a fabulous sight with their white and mauve flowers; the subtly winding path on the upper terrace runs between a steep rockery, set with familiar pelargoniums and non-rock plants. The soft plantings and the tender echinias are looking spectacular this weekend, bear-

ing great spikes of flower like erect foxes' brushes in shades of violet and blue; if you can find it, echium Webbii is the most brilliant blue wonder, but only for a frost-free garden.

At Tresco, Nelhams told me, "the usual rules of colour planning do not apply." And, as the sun set on the lovely homelias on the upper terrace, I eavesdropped on two tourists, startled by the echoes of their own Australia. "If only the whole island looked like this garden," they told each other, wistfully, "we could imagine we were back at home." To my eye, it is a mercy that it never will.

Forty years from now, with luck, my old age and your children will together appreciate Paradise Regained. Tresco owes a huge debt to the Nelhams' optimism, the backing of the family, and the devoted work of the few gardeners. One of the most important recoveries in British gardening history looks as if it will succeed. But we must pray for more winters like 1992 and rapid success for the new Heritage windbreaks.

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# Rebuilding the mill: an exceedingly slow grind

Clive Fewins on a group of pensioners who are restoring a landmark

NINETEEN years after they started work, Quainton Mill's "Magnificent Seven" at last have their end in sight.

When the small group of enthusiasts started restoring the windmill as a retirement project in 1974 they thought it would be a five- or six-year task. The mill is Victorian, it stands 76ft and when it was built it was the most up-to-date in the Vale of Aylesbury, in Buckinghamshire.

In 1984 the group decided not to hold a tenth birthday celebration as there was so little visible progress. Nine years later they are in a jubilant mood, as they have just completed the massive task of building and erecting the four 30ft wood and canvas sails, each weighing a ton.

Last weekend, the sails turned successfully and tomorrow, Sunday, to celebrate National Mills Day there will be tours of the mill and a photographic exhibition inside.

"Who knows, we might be milling in time for the millennium," said the project leader, architect Patrick Tooms. At 61 Tooms is one of the younger members of the group.

They hope to complete the task in four to five years, and that they will be able to achieve this using entirely voluntary labour without exceeding the original budget of £15,000. They have spent some £13,000, of which about three quarters came in grants from various public bodies and the New Horizon trust, which supports unusual activities by retired people.

"Heroic" would be a fitting word for some of the efforts of the restorers, for whom the first task was to rebuild from scratch the huge wooden gallery that surrounds the building at a height of 36ft, without the use of a scaffold.

One of the next jobs was rebuilding the top four courses of brick-work so that they could start restoring the mech-



The ruin: Quainton Mill before the "Magnificent Seven" started work

anism that allows the giant metal cap to rotate on a circular metal track on top of the walls.

"At the time we had a psychiatrist working with us whose hobby was bricklaying," Tooms said. "But that wasn't the only mad thing we have got up to."

Perhaps the maddest thing of all was building the mill in the first place. It is picturesquely

but impractically sited in the lee of the hill that forms a backcloth to the village.

It was this situation, coupled with the fact that the mill never worked very efficiently, that meant the basic structure of the building was in such good condition when the group started the restoration.

Although the mill, the tallest in Buckinghamshire, was equipped with all the latest

technology when it was completed in 1832, the one thing it always lacked was a good blow. So after a working life of some 50 years - latterly assisted by a huge steam engine - it was abandoned.

It remained in that state, an eye-catching relic, until the late 1960s, when the parish council decided the community would benefit if it could be restored.

"Today people jokingly suggest that our main achievement has been to add value to every house in the village as the mill now adds so much to the character of the place," Tooms said.

"Until we recog much of the main spur wheel - one of the major remaining tasks - and get all the machinery working, we shan't know whether there's enough wind to grind corn. It's a case of suck it and see," said Tooms' right hand man, retired airline pilot Gordon Rodwell, 70.

Nevertheless the great task continues every Sunday. The total workforce numbers nine, though there are never more than seven present at the weekly work sessions.

The oldest member is retired sales executive Denis Moreton, 80, the youngest, and the only one who is not retired or semi-retired, is carpenter Bob Bleasdale, 40.

There is an air of optimism in the group, and as part of the transition from millwrights to millers they plan to pay a joint visit to one or two of the four commercial working windmills in the country.

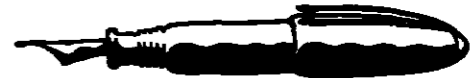
"We shall soon be able to run the machinery and see what happens," Tooms said. "We are used to taking one thing at a time, so no setback is too catastrophic. With an average age in the group of 63 all we hope is that we are all alive to see the end result!"

Quainton Mill is open from 10am-1pm on Sundays. For details of mills open on National Mills Day tomorrow, telephone: 0367-718883 (today) and 0462-362193 (tomorrow).

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## WEEKEND FT SPECIAL REPORT - CLOCKS, WATCHES AND JEWELLERY

## Quality Watches

## Why quartz came in the nick of time

TEN YEARS ago, few would have believed that the onslaught of the quartz watch would be the salvation of the mechanical movement.

By that I mean the mechanical watch at the highest level: technically brilliant and loaded with complicated indications on the dial. Those who appreciate - and can afford - the finest watches are alienated by the mass-produced nature of quartz and prefer the hand-finished product of the traditional mechanical movement. Push that to the limits of the watchmaker's technical ability, with as many as 700 parts in a watch, and you have a refined market of low-number production pieces of irresistible appeal to the collector.

Such complicated pieces take a long time to make: Time Products, distributors of Audemars Piguet, are still awaiting delivery of some orders they took at the Basle Fair in April 1992. However, the UK is comparatively well served: of the five examples of Audemars' £240,800 Triple Complication watch made last year, two were consigned to London - not bad in a world market deemed dominated by the Japanese, Italians and Americans.

The annual Basle watch and jewellery fair in April is the industry's showcase, at which Audemars this year seem to have received the most acclaim from retailers for what is described as a stunning new collection of diamond and coloured stone-set ladies watches.

Blancpain has just launched an adaptable ladies' watch with interchangeable stone-set or plain bezels and coloured straps to match. René Bolvin, the Paris-based firm, too, has turned its attention to ladies' watches. The Chrysalis case has sliding sections which either reveal or conceal stone settings, providing a dual purpose watch for evening or day wear.

Another watch house of Parisian origin but using the best of modern Swiss watch tech-



The limited edition Jaeger-LeCoultre rectangular tourbillon Reverso

nology is Breguet, originally founded by a watchmaker of genius over 200 years ago. Until recently linked to the troubled Parisian jewellery house of Chaumet, its new owner since 1987, the Arab-financed Investcorp, has separated the two companies and is preparing a floatation of Breguet on the Paris stock market. Unlike a quartz watch, a mechanical movement and escapement will keep a slightly different "rate" depending on what position it is held in, for example face-up or face-down. To compensate for this Breguet invented in the 1790s the tourbillon, or revolving escapement carriage, a device eminently suited to wristwatches, which are waved about far more than a pocket watch.

In spite of being devilishly difficult to fit within a wristwatch case, a tourbillon is becoming the *sine qua non* for the retail collectors' market. Vacheron & Constantin is planning a matching pair, in emeralds and rubies, of tourbillon pocket watches using the last of the movements it has of its 1964 production. For next year Jaeger-LeCoultre plans a limited edition of "Reverso" tourbillon watches in pink gold, of

which 15 are promised for the UK.

Garrard's 150th anniversary as Crown Jewellers is being marked by a limited edition of 150 Patek Philippe watches in pink gold with crystal back revealing the self-winding movement, to sell at £7,950. While Patek intends this to be the last watch to be made by them for a particular retailer, it has been looking at its own range and has identified a gap between its £7,000 automatic calendar watch and the top of the range perpetual calendar wristwatch at around £28,000. The company is now planning an intermediate model.

It is typical of the Swiss watch industry that while some companies, such as Blancpain, have been bought by large concerns (in this instance SMH, the makers of Omega) no company has actually gone under. The clue to this survival rate is based on buoyant sales for top-quality watches. So popular, for example, are Rolex's macho productions, in particular the Submariner and Daytona models, that demand constantly exceeds supply.

Richard Garnier

SPORTS WATCHES are today's fashion accessories and those who use them can be divided neatly into two categories: those who wear them for their cachet and those who are serious about their sport and want the watch most appropriate to it.

Fashion-conscious wearers put a high priority on style. The watch must bear the brand name that will impress the right people and, almost incidentally, be ready for action should it encounter anything deeper than a champagne bucket. The sports enthusiast will put reliability and ruggedness at the top of the list.

A few watches pass muster on both counts.

In the last few years, one established company has forged ahead of the competition in this market and is considered by many to be the sports watch - TAG-Heuer. It is certainly a fashionable brand but, above all, it is a serious sports watch.

As timekeepers to Formula 1 motor racing - and a sister company to the McLaren racing team - TAG-Heuer is actively involved in sport and has grown to become the sixth largest Swiss watch maker, in terms of sales value. Its 6000 range, which reached the shops towards the end of last year, is already in great demand, achieving cult status in certain markets - and especially the UK.

Also in the serious but fashionable league is Breitling - a Swiss company established in 1884. It makes watches that appeal to air and sea professionals, as well as providing frequent travellers with a time-keeping device that offers three time zones at a glance on

## Sports Watches

## Rugged and so fashionable



Breguet: a classy image for the sporting man

the Antares World model, which has a non-magnetic steel case designed to withstand great depths. It costs £1,155.

Chopard is a name that some associate with jewellery and watch designs with moving diamonds, but this innovative company takes sports watches seriously. It is the sponsor of, and competitor in, the Mille Miglia vintage car rally in Italy and produces a selection of sports chronographs, including the 1000 Miglia. Prices are from £545 in steel to around £5,000 in 18ct gold.

Another timepiece of interest to car enthusiasts, as well as those who prefer to walk, is the Porsche Design compass watch, made by IWC. The light-weight titanium-cased watch hinges to reveal a com-

pass. The bracelet can easily be detached so that the 5mm wide links can be used as a measure on a map.

The Altiland, by Revue Thommen, has a steel case and is water-resistant to 30 metres. It incorporates a mechanical altimeter and a barometric scale, as well as an oil-mounted compass that is also water resistant. The same company also makes a watch for golfers, called the Greenmark.

To the sailing fraternity Corum is the most desirable watch. This year it is introducing a new model with three off-centre dials that show tidal movements, moon phases and high and low tides, water levels and next tides. It also features a calendar. It has a self-winding mechanical move-

ment and has been tested by the French Navy's Hydrographic and Marine Department.

This is a serious watch for seafarers and will be available in a steel and 18ct gold case with a leather strap or steel and gold bracelet. It is water resistant to a depth of 100m and costs £3,815.

Omega is one of many companies producing divers' watches, but its latest model is rather special. The Seamaster Professional Chrono Diver, should be in the shops later this year and has a chronometer, is water resistant to 120 metres, and made in men's and women's sizes.

Two of the major Japanese manufacturers, Seiko and Citizen, cater for divers with watches designed to make diving safer.

Another respected manufac-

turer, widely used by sportsmen, is Zenith. Its Rainbow collection with a remarkable self-winding mechanical chronograph movement is another that must be considered seriously. These cost from £799 in steel to £899 in gold.

Sector, a company which sponsors sportsmen and women in some of the most hair-raising sports such as base jumping and free diving. Prices from £115 to £600.

Another brand in this category is Ellesse, a designer grand in the tennis world. Ellesse make sports watches for men and women. Prices are from £55 for fun designs up to £295 for bracelet models with water-resistance.

Gucci also makes a sports watch, the 9700, that is water resistant to 100 metres.

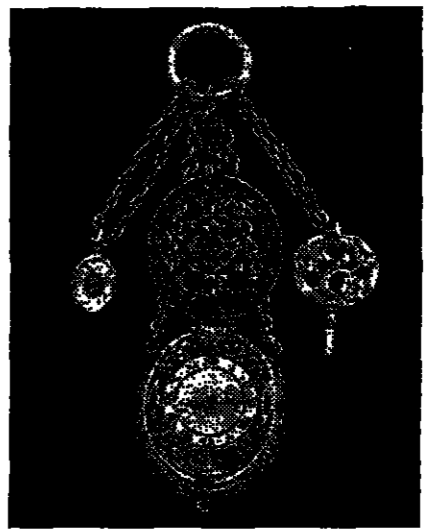
Higher up the price spectrum, is the Jaeger-LeCoultre Reverso, designed more than 60 years ago for polo players.

The ultimate in combining sports and elegance may be the Piaget Jewellery Polo, available in two versions each for men and set with up to 345 diamonds, costing £38,400 and £30,750.

The author is the Editor of International WristWatch.

John Goodall

## Where Connoisseurs Collect.



An exceptionally rare miniature gold and enamel verge clockwatch. Reputedly a gift from Queen Elizabeth of Bohemia, the Winter Queen to Frederick Harcourt. This unusual clockwatch will be sold with other important watches as part of the Harcourt Family Collection in London on the 10th June, 1993.

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For details and catalogues for both these sales please contact Tina Millar on (071) 408 5328.

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## Antique Clocks and Watches

## Classics still dominate

THE PAST year started as a frustrating one in the market for second-hand clocks and watches, governed as it by a long wait for an upturn. More recently there have been traces of a silver lining - in the shape of an overhaul of international exchange rates following Black

(or White?) Wednesday.

Since then the mood has been distinctly more upbeat for the first time since the dizzy heights of late 1989/early 1990. The big names - Patek Philippe, Rolex, Vacheron & Constantin, Audemars Piguet, Lange, Breguet and Cartier - still dominate the field, with the most sought-after models being the complicated and technical models.

Cartier watches were feared to have peaked a year ago but this has proved not to be the case. A pre-war Driver watch, curved to the wrist for easier reading at the wheel, sold for £53,000 at Sotheby's Geneva in November, and a very rare eight-day watch sold for SF170,000 (£75,000) as against a previous high of \$93,000 (£63,630).

Patek Philippe, commonly seen as the most "blue chip" brand, has suffered recently from choosy collectors and its performance at auction remains patchy. Rectangular models are now back in fashion while square ones are still difficult to sell, but round models of particular complexity are making big prices.

Standard Patek perpetual calendars in gold cases currently sell for about £18,000 compared with £20,000 in 1989/90. Their Officer's watch, brought out in 1989 to celebrate their 150th anniversary, was sold in one instance in January 1990 for £19,800; now it commonly makes £3,000 to £10,000 but this is still way above the original retail price of £4,700.

Such premiums are a much rarer thing than they were although the Rolex Daytona Cosmograph Chronograph models and older, Rolex chronographs and vintage bubble-backs continue to be sought after.

The Swatch, the ugly duckling of the collector's wristwatch market, is no longer a swan and indeed is now flying lower than before. No one has or is planning to hold a specialised sale or even a themed section in a sale this year. Only those in absolutely "as new" condition and early 1983/4 prototypes seem sought after.

Ruth Zandberg of Christie's Geneva says new collectors are looking for "early (pre 1700) watches" and Antiquorum has had some good results in this field.

Sotheby's London enthusiasts about an exceptionally small clock watch of c.1620 that automatically strikes the hours in passing, estimated at £80,000 in their forthcoming Harcourt sale. Prettily enamelled, it also has that essential extra ingredient - a bit of history - as it was given by Elizabeth of Bohemia, Charles I's tragic daughter better known as the Winter Queen.

The antique clock market seems to have been playing a waiting game at the top end, while seemingly recession proof and quite active in lower ranges. Rumours are that some high-flying clocks should sell well this summer and if so this could flush more out on to the market.

More and more activity these days takes place at antique fairs, which has enabled the public to look and buy at leisure and introduced new customers to individual dealers. London's well-established Grosvenor House (June 9-19) and Olympia Fine Art and Antique Fair (June 3-13) now in its 20th anniversary year, as well as the new British Antique Dealers Fair at the Duke of York's Headquarters (May 5-11) will have good horological showings.

Clocks and watches can be a particularly fraught subject for the amateur sales-room hunter as goods at auction are sold "as found". Buying from a reputable dealer offers the reassurance of properly restored and overhauled pieces guaranteed under the Trades Descriptions Act.

Richard Garnier



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WEEKEND FT SPECIAL REPORT - CLOCKS, WATCHES AND JEWELLERY

Costume Jewellery

# Fashion talismans for the new age

Vivienne Becker on the changing face of 'fakes'

**N**OW THAT costume jewellery is here to stay as a respectable, if not essential, accessory, it is taking on more gravitas as an art form and finding a new look for the "natural nineties". Art and fashion in jewellery are converging. At the same time, the demarcation between costume jewellery and real jewellery is fading.

The 1980s status symbol gilt and glitter couture jewellery is being replaced by dreamier, talismanic trinkets with more value - whether intrinsic, artistic or ritualistic - as women search for more "meaningful" jewellery. Designers and jewellers are mixing materials and crossing barriers between real and fake with new abandon.

A whole middle range of decorative, semi-precious jewellery is springing up from individual designers such as Solange Azagury-Partridge, who works with massive crys-



Pair of wooden 'Mithras' cross cuffs from Verdura, 13 Duke Street, St James's, London SW1

tals and upside-down stones set in gold-plated silver, and Dimmy Hall, the golden girl of 1980s fashion jewellery who now works to commission and sells gold-plated silver ranges rather than way out costume jewellery in her shop in Westbourne Grove, London.

Part of this new seriousness comes from a recent re-evaluation

of 20th century costume jewellery which has turned into a promising collecting area. Christie's South Kensington auction house now holds regular sales of designer costume jewellery and several London shops, including Cobra & Bellamy, Van Peterson and Steinberg & Tolkin, specialise in period jewels from the 1920s to the 1980s, particularly the sought-after American makers such as Miriam Haskell, Trifari, Marcel Boucher and vintage Kenneth Jay Lane from the 1960s and 1970s.

This field works like the antique jewellery market: the most desirable pieces, reaching prices in the hundreds, even thousands of pounds, are those that have been finely made by big names and beautifully conceived to capture the mood and fashion of their age, whether it is the Cartier look by Alfred Philippe, chief designer at Trifari, the glorious sophistication of the 1950s creations by Boucher, or the American Schiaparelli fantasy jewellery made of smoldering, luminous crystal rocks.

Above all, costume jewellery is no longer junk jewellery. Carol Lister of Liberty in London says that although costume jewellery went through a decidedly dull patch, it is now waking up to the new age. Kate Renwick, buying controller for fashion accessories at Harvey Nichols, finds that women are buying more jewellery than ever but now prefer a more refined look to reflect their new mood of dressing in the 90s. "Jewellery is such a personal, whimsical purchase that brand or designer labels always come second," she says. In tune with the 1970s fashion



1940s frog brooch by Trifari, from Cobra & Bellamy, 148 Sloane Street, London SW1

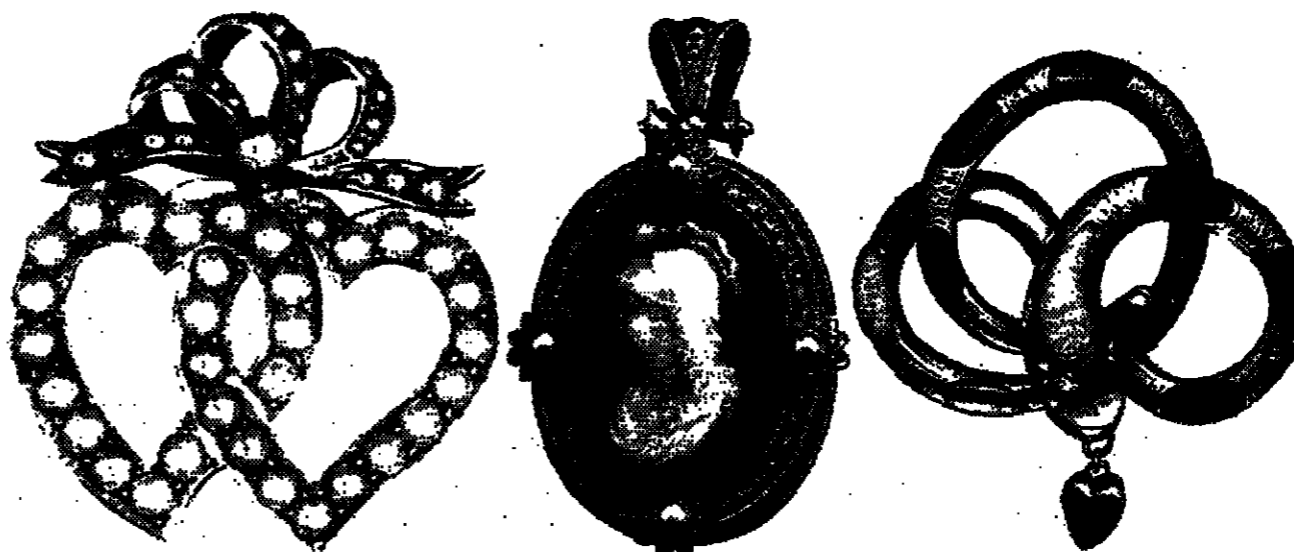
ion revival, there is more than a trace of arty-craftiness about today's costume jewellery that is not untouched by the grisly hand of Grunge - such as long, stringy bead necklaces and pendants and crosses in softly burnished silver or pewter-coloured metal, with amethysts, turquoise, coral, and jewels replicating natural materials or using the real thing.

The new, slick Armand range comes in on naturalism, using imitation tortoiseshell, jet, mother-of-pearl and ivory, while John Bowman's ecologically sound jewels, sold at Liberty, are sensitive one-off creations of Baltic amber mounted on silver or occasionally on gold and hung on twisted silk or macramé braids. His prices range from about £150 upwards.

Robert Lee Morris is an artist-jeweller who successfully translated his themes and inspirations into popular, fashionable costume jewellery, and his shapes and forms have always been based on organic forms or tribal emblems and weapons like the dart. His brand of fluid simplicity is still perfect for today's look.

Other makers are using fossils, pebbles and shell shapes and soft, natural motifs. The talented Pellini has also long copied natural materials with her brilliant, tactile resins and synthetics. Eric Beamon, now known as Erickson Beamon, is scaling and toning everything down. His jewels are smaller and more intricate, using tiny beads and cameos. Necklaces are either very long and "hippie" or old-fashioned chokers.

And finally, wave goodbye to your power earrings. Put them in a shoebox until they turn into antiques. The new natural earrings are - believe it or not - small and discreet.



From left to right, Victorian double heart brooch, gold, half pearl and enamel sardonyx cameo (sold for £2,530 in Sotheby's March sale), Victorian snake brooch. The brooches are from Brian and Lynn Holmes, Grays Antique Market, 55 Davies Street, London W1

Antique Jewellery

# Gems glow amid the gloom

**D**EALERS ALL over the world are still the strongest buyers of jewels and gems at auction, but one of the most distinctive characteristics of the antique jewellery market is the increasing number of private buyers in the salerooms. Period jewellery has been one of the most stable and steadily growing areas of the decorative arts in the last ten years. As the art market crumbled, jewels continued to glow in the economic gloom, thanks in part to these "private" who head regularly for the auction action in search of value for money and the opportunity to buy at "trade" prices.

The auction houses have encouraged this trend by organising big sales and producing more informative and temptingly glossy catalogues, with confidence-inspiring essays, footnotes and provenances.

But, some might say, where does good background information end and saleroom hype begin?

Since quality, authenticity and strong style count more than ever - whether rich Renaissance, designer Deco or even soulful Stables - it is more important for customers to understand what they are buying, to distinguish the very best from the ordinary, to take expert advice and not to be blinded by hype.

In the long run, the best "bargains" are usually those fine and rare items

that cost a substantial amount of money. However, "cult" or "personal" sales of pieces once owned by, say, the Duchess of Windsor, Elton John or Diana Dors can add an inflated premium to goods which may not be able to sustain their high prices second time around on the market.

Limited supplies of the right goods have also kept prices buoyant, and at the same time connoisseurs have become more knowledgeable and discriminating. Contrary to general belief, newly impoverished owners are not

ers, but the price has to be right and the quality and style good. Eighteenth century diamond jewellery is still somewhat undervalued, although in March at Sotheby's sale of "Jewels for the Collector" a simple but stunning pair of 18th century drop earrings, thought in the trade to be worth around £15,000, fetched £32,100 as two private buyers battled it out. So much for trade prices.

Here wearability and fashion content come into play. Decorative, stylish earrings of all ages are much sought-after; chokers are back in style again, bows

of their small size, relatively reasonable prices. Tiaras, however beautiful, have to be versatile and earn their keep as necklaces too, to realise strong prices. Even among High Victorian gold and gemset jewellery interesting earrings are hard to find and easy to sell. They are also subject to reproduction.

Signatures still count for a great deal, from the 19th century revivalists, such as Giuliano and Castellani, especially rare today, through the ever-popular Cartier and Tiffany to 1950s stars such as Sterle, Verdura, Schlumberger. Bulgari is synonymous with quality and chic and even pieces from the 1960s and 1970s have cachet. But since Christie's Geneva specialist Cartier sale last May (to be repeated this May) there are signs that buyers are carefully distinguishing between good and average examples of any one maker and no longer simply buying a name.

Overall, it is a realistic and selective market, with anything rare, fine and historically important and stylish selling at strong prices whether at the £500 or £50,000 level. Less spectacular jewels, if pretty and fashionable, sell at just the right price. This sorting out could be one of the benefits of the recession, for as David Callaghan, of Hancock's London, says: "When the recession ends, what we are worried about is average things fetching inflated prices."

Private buyers can still find bargains - if they look beyond the hype, says Vivienne Becker

selling their treasures; they sell run-of-the-mill goods to pay the bills. When the best examples make it on to the counter or into the shop window, they are snapped up by the trade.

Salerooms attract a lot of the fine jewels on the market. They also provide excitement, entertainment and the ideal place to see, handle and learn about jewellery. However, dealers will still pay good prices, in or out of the salerooms, for desirable merchandise. That elusive bargain is now more than likely to be lurking on London's Bond Street.

In spite of recent adverse publicity, period diamond jewels are the best sell-

always sell well. At Sotheby's, again in March, fashion-followers plumped for 1970s style rainbow bead necklaces.

Last October, the success of the Charsky collection of antique jewellery at Christie's highlighted not only the eagerness for fresh goods but also the unbeatable, wearable charm and craftsmanship of early 19th century sentimental jewellery, layered with symbols and motifs, intricately worked in coloured gold and shy gemstones.

Last December Sandra Cronan of Burlington Arcade held a successful exhibition of cufflinks, desirable because of their style and usefulness and, because

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## BOOKS

# Brilliant, but flawed

Malcolm Rutherford on the life of George Brown

HERE WILL never be another George Brown: the system won't allow it. Today, a boy from working class London would no longer leave school at 15, work his way up through the trade movement, become deputy prime minister and foreign secretary with a lasting record of achievement. He might go to university (something that would have turned George Brown into a different man): he would be less likely to go into union politics and he might not even consider joining the Labour Party. One of the problems of the current party is that many of its old aims – like greater equality of opportunity – have been partially accomplished.

George Brown was special in another way, too. He was not the only working class boy to make it almost to the top. Ernest Bevin had done it before him. But Brown was a man who, despite his successes, continued to harbour resentments. As Peter Paterson puts it in this new biography: "He carried enormous chips on both shoulders," mostly against intellectuals and the class system as he saw it. At the same time, he was a "character". He got continually into scrapes. Everyone knew who he was; no-one would have thought he was anything but British – the very initials are almost a symbol. One of his very first acts as a young minister was to have the Tower of London opened to the public on Sundays. Politics became duller when he resigned for the last time.

He also had great imagination. He was pro-European from a very early age: much more so than any of his contemporaries in the Labour Party – or among the Tories, for that matter. In that sense

he was a forerunner of Edward Heath. He had an intuitive understanding of the Middle East which was rare among British politicians. He did not share his party's prevalent belief in Israeli supremacy: hence his negotiation of United Nations Resolution 242 when he became foreign secretary – it has remained the basis for Middle East peace talks. Even his National Plan, when he ran the department of economic affairs, still arouses nostalgia. If only the Wilson government had devalued soon after it came to power in 1964, perhaps

**TIED AND EMOTIONAL: THE LIFE OF LORD GEORGE BROWN**

by Peter Paterson  
Chatto & Windus £20, 308 pages

It would have been more viable.

Paterson's book reads less sympathetically than is perhaps intended. "Tied and emotional" became the words associated with George Brown, and indeed with a particular form of behaviour in anyone, ever after. The author does not spare the warts. Whereas a foreign office man would tell you that "the trouble with old George is that he only needs one glass of sherry for it to go to his head", Paterson makes it clear that there was a heavy drinking problem throughout. He also shows that Brown could be intolerant to his wife, Sophie, whom he finally left for his secretary.

There were excuses, to be sure. Brown needed money, especially when on the back benches. For a time he received payments from the Mirror Group, until it came out as a scandal. The sums were small and recent events in

European socialist parties suggest that we should be tolerant to a man who was simply trying to make ends meet.

Emphasising the troubles, however, can lead to understating the achievements and the popular appeal. How hard Brown was to understand can be illustrated by two statements. "He is not only superficial and lightweight intellectually; he is not only vain and vulgar; he is not only drunk; he is also a little cad". Then again: "I found George the most attractive member of cabinet, certainly the most gifted, certainly the most imaginative, possessing a mind which has a sense for the evidence buried in the documents or in a speech and which can smell it out."

Both statements come from the same man, Richard Crossman, who went on to identify the same problem as Paterson: namely chips. Aneurin Bevan had many of the same positive qualities, but without Brown's detestation of intellectuals. It would be interesting to learn more about how and why. It is also not quite explained how a politician who Paterson claims scarcely read a single book turned out to be so ahead of his fellows on foreign policy.

The book has some lapses. It is hard to excuse the repeated use of WILL for Willy Brandt. The man Brown appointed to the embassy in Bonn was Roger not Robert Jackling. And Paterson must have a starry-eyed view of the home civil service since he describes the foreign office as "the stuffiest, most conservative, and traditionally minded department of state." At least the foreign office is not insular; neither, despite all his character lapses, was George Brown. "Brilliant, but flawed" might be a better title.



# Renaissance man remembers

Anthony Curtis on the curious double life of Ernst Gombrich

THOSE who are familiar with the writings of Sir Ernst Gombrich, Professor Emeritus in the University of London, will know that he favours two distinct kinds of title for the collections of essays and lectures he has published since he came to England in January 1936. Here are some examples of what may be called Gombrich's binary title-form: *Ideals and Ideals, Norm and Form, Means and Ends, Art and Illusion, The Image and the Eye*. And here are some of the other form, the purely descriptive: *The Story of Art, The Sense of Order, Meditations on a Hobby Horse, Topics of Our Time* – to which must be added the present book, *A Lifelong Interest*. The title this time refers to his lifelong interest in art history.

It is the more descriptive titles that are usually given by Gombrich to the collections of his papers that do not have a unifying theme but range over a miscellaneous field of learned inquiry. If the Italian Renaissance is a continuing interest of his, it co-exists with a host of others, from the art of ancient Egypt to contemporary abstract painting, from the nature of perception to the decline of general knowledge, from Goebbels to Malraux.

The present volume – a series of tape-recorded interviews with a French journalist – is the most heterogeneous of them all. Didier Eribon, who has done a similar book of conversations with Lévi-Strauss, has elicited much interesting diverse material from his interviewee. The exchanges start with some biographical information, where Gombrich looks back upon his youth, and then deal at length with many of the recurring preoccupations of his writings. Questions that frequently crop up in his books such as how "innocent" innocent of pre-conditioning – is the eye that the spectator brings to a painting, are addressed again here, and second thoughts are sometimes voiced by this least bigoted of scholars.

He was born in 1909 in Vienna. Though his parents were of Jewish origin he had the same classically-oriented general education as his gentle contemporaries. Gombrich tries to deflate the myth of Vienna as "the birthplace of every modern movement", but he is soon forced to admit reluctantly that "the Vienna you read about in books" did have a considerable influence on his formation. His mother knew Schoenberg, Mahler and Freud, but even more important than that was the prevailing ambience, the high regard paid by the Viennese middle-class to *Bildung* – culture in a general sense.

His father – a lawyer – hardly bothered to oppose his youngest son's declared aim of becoming an art historian even though he feared for his chances of earning a livelihood. We are given vignettes of people like Joseph Strzygowski and Julius von Schlosser, the rival professors of art history in the city, and Ernst Kris, the psychoanalyst and curator of the Hapsburg collection of goldsmith-work in the Vienna Museum. They were among Gombrich's

earliest mentors. It was from Kris that Gombrich learnt that art history could be combined with other disciplines – hence the inclusion of Science in the subtitle of this book – and with whom he wrote his first book published in this country, *Cartoon* (1940).

Gombrich's first ever book was published before the war in Vienna in 1935. It was commissioned there by Walter Neurath (who founded Thames & Hudson in London) to be part of an educational series of books for children he was editing. Gombrich's book was a History of the World; though written in only six weeks it proved to be a great success. The following year Gombrich came to London as a research assistant at the Warburg Institute to put into order the books, manuscripts and papers of Aby Warburg; the Institute Warburg founded had moved from Vienna to London in 1933 as the Nazis began to encroach

**A LIFELONG INTEREST: CONVERSATIONS ON ART AND SCIENCE**  
by E.H. Gombrich and Didier Eribon  
Thames & Hudson £14.95, 191 pages

upon Austrian cultural life.

Gombrich inherited not only the founder's scholarly interest in the Renaissance but also his sense of the range of knowledge (especially through the acquisition of books in a variety of disciplines) required to understand a period such as Florence under the Medicis. Then the second world war broke out: Gombrich left the Institute to work in the BBC monitoring service. He was approached for a book by another Viennese publisher now in London, Dr Horowitz, the head of the Phaidon Press. Gombrich searched among his papers and found the few chapters of a volume on Art he had begun to write as a companion volume to the children's history. But it was not until the war was over and he had returned to the Institute (by then a part of London University) as a full member of its staff that he completed this book – *The Story of Art*.

It was a best-seller on publication and it still sells steadily throughout the world. The current edition, with a new chapter on photography, is the 15th. Its immediate effect on the author was to transform his life from that of an obscure struggling academic in London into that of an internationally known, much sought after authority of the museum and art world. He was appointed Slade Professor of Fine Art at Oxford and invitations came from Harvard, Washington and from many other centres of learning all over the world. "People know me" Gombrich tells his French interviewer "as the author of *The Story of Art* who have never heard of me as a scholar. On the other hand, many of my colleagues have never read the book. They may have read my papers on Poussin or Leonardo, but not that. It is a curious double life". It may be curious yet it remains one which he has fruitfully led for many years and continues to lead to the enrichment of anyone who reads him in either capacity.

# The changing shape of Jewish identity

RATIONALISTS and modernisers par excellence, secular Jews have observed with varying degrees of puzzlement and dismay the growing influence of a self-confident Jewish religious Right, unabashed in its strident condemnation of secular humanism, assimilation to the larger society, and such Enlightenment values as pluralism and democracy.

Each of these books is a partial response to the phenomenon of Jewish religious revival, although Howard Jacobson would doubtless deny that was what moved him, "the least loyal, the least nostalgic of Jews" to embark at this time on a "Jewjewjourney" that he insists had no purpose other than pursuing non-belonging, the confirmation of homelessness, of feeling alien. Despite himself, he succeeds in this paradoxical enterprise, coming to no significant conclusions about his Jewishness, experiencing no epiphany, yet

revealing along his uneasy trajectory from Stamford Hill to New York's 47th Street, from Jerusalem to Lithuania, his quintessentially Jewish propensity to remember past wrongs, argue with God, and feel superior to and often infuriated by his fellow-Jews.

Jacobson's consistent pugnaciousness leads him into abrasive, sometimes amusing encounters with representatives of the Chassidic community, hotel staff almost everywhere, Americans of several

varieties, but above all with Israel itself, which he describes as "not just a charity but a sort of summer work-camp" and spiritual playground for American Jews. Unable to forego an anecdote, sometimes of doubtful relevance to his main theme, Jacobson can be wryly funny, always loudly dissatisfied, angry with "the snarling God" of the Jews and with the Orthodox guardians of tradition.

To his surprise, Jacobson is nonetheless touched by the warmth of worship in a gay synagogue in Los Angeles; and admits that amid the overgrown stones of the Jewish cemetery in Sarcel, the little Lithuanian town from which his grandfather fled to England, he feels both "upset" and somehow linked to his ancestors. When the knockabout humour stops, Jacobson seems rather sad in his evident inability to fathom what being Jewish now actually means to him: his Jewish identity, remote from the texts and rituals that sustained the tradition over millennia, amounts to gastronomic memories, a few fragments of Yiddish, a general restlessness; the grand Jewish prophetic passion to repair the world has on the evidence of *Roots Schmoots* been diluted to mere tetchiness.

David Landau, for his part, describes in occasionally numbing detail the lives and practices of the faithful adherents to the Law, those Orthodox zealots who consider themselves the only real Jews left, numbering perhaps 650,000 among the approximately 10m Jews in the world. This highly visible minority within a minority has, thanks to its fecundity and aggressive militancy, won a pivotal role in Israeli politics, aligning its adherents with the political far Right there and in the Diaspora, and even forging mutually advantageous alliances with fundamentalist Christian groups in several countries.

Although the requirements of Jewish law are regarded by these Jews as immutable, they are in fact adopting ever-stricter observances, especially in Western countries, thus further distancing themselves from assimilated Jews and contributing to what Landau sees as the strong possibility of an outright schism in the Jewish world.

Moreover, the birth-rate among the ultra-Orthodox is much higher than among other Jews: in their international yet close-knit community, seven or eight children are usual, and the mere two-child family considered a pitiable sign of dysfunction. Their strict ritual, deliberately anachronistic speech and dress, absolute insistence on apartness, are tinged with dislike and contempt for other Jews, let alone non-Jews; yet even so militant a Socialist and secularist as David Ben Gurion failed, with fateful long-term consequences, to challenge their claim to impose Orthodox norms on the State of Israel.

Landau too, though amply describing Orthodox intransigence, obscurantism, power politics and corruption, is unable quite to condemn them, suggesting in a rather lame conclusion that dismissing them as anachronistic may be inappropriate. For their part, the Orthodox, like their fundamentalist colleagues in Christianity and Islam, entertain no doubts whatsoever: they are convinced that they and their "Torah-true" descendants will remain the only authentic bearers of the tradition long after Jews such as the authors of these books have vanished into the general Godless population.

**ROOTS SCHMOOTS: JOURNEYS AMONG JEWS**

by Howard Jacobson  
Fiking £16.99, 302 pages

**PIETY AND POWER: THE WORLD OF JEWISH FUNDAMENTALISM**

by David Landau  
Secker & Warburg £20, 302 pages

concerning Sabbath observance, dietary laws and, more painfully, marriage and divorce.

Landau points out that the ultra-Orthodox in Israel live largely on charity, their children ostentatiously exempt from military service, their attachment to the State and its institutions lukewarm at best, arousing often bitter hostility among the secular majority of Israelis toward what they regard as the intolerant, anti-democratic parasites in their midst. Despite their growing anger, secular Jews hesitate to raise a hand against bearded patriarchal figures in the kaffans and fur hats of another age: the wearers of those distinguishing marks take full advantage of these remnants of traditional piety among the non-observant.

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Joshua Sherman

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BOOKS/ARTS

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# Sex, power and money appeal

**Q**UESTION In which of this summer's block-busting best sellers will you find the following sentence: "Cor, it's her, the smasher, Angel Tits, not arrived couple of weeks ago?" Is it from the latest epic by James Clavell? Jill Cooper? Or Jackie Collins?

Actually it could have come from any of them, because the sentiments and the language are more or less interchangeable between all three, even though one is set in England, another in America, and the third in Japan more than a century ago. There is a strict formula for best sellers, a way of putting the stuff across that guarantees a vast and hungry audience all over the world. Authors depart from it at their peril.

As to which of the three can actually claim the sentence as their own, all will be revealed. Suffice it for now that the best book of the three, best by a long way, is the Jackie Collins, *American Star*. It is the story of a young stud of humble origin who makes it big in Hollywood, and as such is not noticeably different to any other novel Collins has ever written.

But people do not read Jackie Collins for something different. They read her for something exactly the same, the same formula of sex, power and money that has served them so well in the past and will doubtless continue to for as long as Collins can keep churning out the words at the rate of 30 pages a day. She is a brand name as much as anything, a marketing enterprise of phenomenal proportions.

A good writer too, despite the undeniable trashiness of her material. For pace and verve, for sheer exuberance on the page, there are few to beat her. There is a wonderful moment in *American Star* when the stud's girlfriend is about to be raped by another man and is at her wits' end how to prevent it. This way Collins sets the scene up, it looks as if nothing on earth can save the poor girl from her fate.

But then she glances out of the window and notices a passing tornado, which opportunely picks up her trailer and flings it down again several hundred yards away, flattening

the rapist in the process. The heroine is saved, several other extraneous characters are disposed of, and the tornado passes on, all in fewer words than it takes to write this article. Say what you like about Jackie Collins, but it takes chutzpah to write that kind of scene and hope to get away with it. Yet get away with it she does, and who can quarrel with that?

Jill Cooper seems positively amateurish by comparison. Her latest novel, *The Man Who Made Husbands Jealous*, is set in the heart of the English countryside and is a continuation of all the other Cooper novels that have gone before. The hero this time is 22-year-old Lysander Hawley, an achingly handsome toyboy who

passes the time as a polo-playing estate agent when not banking other men's wives. So good is he at it - the banking - that he decides to set up as a stud for hire in the Rutshire village of Paradise. Before long women are queuing at his door, gasping for a service while their husbands are away neglecting them in London. All would be well, if it was not for the sinister presence in the village of the world-famous conductor Ramaldini...

And, er, that's it. Not much of a plot, not much of a book either. The author writes like Enid Blyton, which is a compliment of sorts, but one cannot help feeling that the manuscript would have been thrown back at her if it had come in on the slush pile. And if she was looking for a snappier title she could have called it *Bankers*, since that is what the book is

all about. James Clavell's *Gai-Jin* is another of his oriental sagas. Japan this time, during the upheavals of the 1860s. Foreigners are crowding in, the power of the Shogun is waning, a group of young Samurai is intriguing to restore the prestige of the Emperor. Against this backdrop, young Malcolm Struan of Hong Kong's Noble House (he has switched countries for this book) falls deeply in love with French newcomer Angelique, she of the maternal attributes so much admired in paragraph one.

No good comes of it, of course. Angelique has a racy past and is not a suitable match for a tal-pun. The story rattles along at breakneck speed, with duels, beheadings, brothel scenes and great dollops of history and Japanese culture all thrown in together. Old Clavell hands know what to expect, and will not be disappointed.

All of which leaves poor old Roy Hattersley to bring up the rear. A pity really, because *Skylark's Song* is easily the most literate of the four, albeit lacking somewhat in pace and drive. It is the third in his Yorkshire trilogy about his own family, and more particularly about Father Rex Hattersley, a Catholic priest in the pit village of Shirebrook.

Rex is in love with beautiful Enid, and is prepared to leave the ministry to marry her. But though she reciprocates, Enid marries a handsome Irishman instead, and by a cruel twist of fate it falls to Rex to do the honours. Even worse, he is then forced to sit in the confession box a few months later and listen to his rival admitting to all sorts of sexual complications through the grille.

Promising material, yet never fully exploited by the author. He tells the story well enough, but lacks any real gift for drama or narrative tension. Too often he falls back on quiet understatement and long passages of explication, when what is needed is a big scene and a fierce interplay of emotions. These people are flesh and blood after all, not just portraits on the Hattersley family wall. One wants to be right there with them, rather than just reading about it in a book afterwards.

**C**HILEAN artist Eugenio Dittborn disarmingly proclaims that "The politics of my paintings are in the folds" in the video shown along with his exhibition of *Airmail Paintings* at the Institute of Contemporary Art in London. His "paintings" (the technique of which is predominantly screenprint and collage) are done on very lightweight translucent material, the kind used as interlining in clothes, and travel from exhibition to exhibition across the globe by airmail, folded inside specially designed envelopes. On arrival, they are simply taken from the envelope, shaken out and pinned to the wall. A record of their journeyings, the picture title and often a quotation or other explanatory remark are written on the envelopes, which are exhibited alongside the works.

Their support may be flimsy, but the works are on a grand scale, both physically - the unfolded paintings extend for several square feet - and in subject matter. Using a gallery of found images, photos of faces from old crime magazines and government records, newspaper photographs, drawings from an old "teach yourself to draw" manual and others by his young daughter, Dittborn explores the issues of identity and communication both between and within the so-called "dominant" culture - the history (including art history) and politics of the west, and that of the "periphery" - the history and contemporary life of Chile where Dittborn was born and where he still lives and works. Their lightweight format enables their journeys to be made with ease, their intervention into our western artspace achieved courtesy of the postal service.

Images are used repeatedly, most strikingly perhaps, those of individuals preserved in death, among them the mummified body of a nine year old Inca boy sacrificed in a religious ceremony and the corpse of a man murdered in 1973 during the military dictatorship. Instead of being merely gruesome records of suffering, the images in their new context become transformed, their cruel histories brought before us to ponder and reflect.

One of the most moving pieces couples the image of the political prisoner, who still wears the blindfold that concealed his executioners from his last gaze with that of a baby, Dittborn's daughter Margarita, eyes just open, minutes after her birth, seeing the world for the first time. Personal sentiment is linked with political horror, beginnings with ends. The poem "Night" by Gonzalo Milan, quoted on the painting's envelope says "And when the night falls, no one knows whether he opens or closes his eyes... whether these are the dreams of yesterday or the nightmares of tomorrow."

# Paintings unfolded

Lynn MacRitchie reviews the work of Eugenio Dittborn



Eugenio Dittborn shakes out one of his well travelled works at the ICA

A new work by Mary Kelly, "Gloria Patri," occupies the upper galleries. Its stated subject is "The pathology of masculinity." It consists of a wall mounted installation of silver trophies, plaques and shields. The trophies are adorned with phrases such as "Cut it off and kill it" or "Kick Ass," recorded from television broadcasts made during the Gulf War, the plaques with strange devices made by cutting military insignia in half and combining them in random order and the shields with short narratives said to describe "scenarios which undo a situation of mastery."

Mastery is a term used in the writings of Jacques Lacan, and the shiny surfaces of the shields which reflect our faces as we study the texts on fishing, playing baseball, not eating vegetables, witnessing birth and (the only one with a woman's voice) exercising, are meant to embody aspects of his famous "Mirror Stage."

Lacan's writing also provided the theoretical basis for Kelly's most famous work, the "Post Partum Document", presented at the ICA in 1976, and her lectures and writing since then have earned her an influential place in the academic feminist debate. Unlike Document, however (which infamously displayed stained nappy liners alongside texts written on stone recording her son's first words and her own anxious record of daily events, making a powerful point about the struggle to combine the ordering function of the artistic process with the

chaos of child rearing), the present piece seems distant from its purported subject. The military and sporting metaphors it uses might have been worth deeper scrutiny as pointers to the mysteries of masculinity rather than being pressed into the service of a dubious theory lacking the underpinning of profound personal experience which brought the previous work so powerfully to life.

Eugenio Dittborn: *Airmail Paintings* 1983-1992 until May 30, then touring to John Hansard Gallery, Southampton, 17 August 17 - September 18 and to Wellington City Art Gallery, New Zealand. Mary Kelly: *Gloria Patri* until May 16, Institute of Contemporary Art, The Mall, London SW1Y 5AH.

Poetry in performance/Michael Glover

# Wrestling with ghosts

**T**HIS week the Poetry Society hosted a tribute to Sidney Keys, a poet who died exactly 50 years ago in the Tunisian Campaign at the age of 20, just two weeks into his active service. The evening was as much a meeting of old friends and an opportunity to exchange reminiscences as an account of the poet's life and work. Keys' editor Michael Meyer and the poet John Heath-Stubbs were the presenters. Both men had been friends of Keys at Oxford, where he read history for five terms until the war beckoned.

Their memories of half a century ago were impressively sharp. According to Meyer, Keys, although a man who tended to prefer the conversation of books to that of the living, was amiable enough - if at times a little dour.

In 1941, Meyer and Keys edited a volume of undergraduate poetry together entitled *Eight Oxford Poets*. Keys excluded from it the work of another Oxford contemporary, Philip Larkin, on the grounds of quality - a judgment with which the wearisomely uncritical Andrew Motion, Larkin's official biographer, concurs. This painful exclusion caused Larkin to speak with bitterness of Keys, and to denigrate his reputation, until the end of his life.

Keys worked hard at his poetry and had developed a mature voice and manner by the time of his death. He described himself in a late letter as "an uncomfortable metaphysical without roots," who would rather have been born in 19th century Oxfordshire than near London between the wars.

*Sidney Keys died 50 years ago at the age of 20. This week at the Poetry Society his friends remembered him*

which strikes the reader as strangely, if not disturbingly, premonitory. "Poets who die in battle tend to get praised for the wrong reasons, especially by elderly non-combatants," quipped Meyer. Sidney Keys, though sentimentalised after his death, has not so much been praised for the wrong reasons as largely forgotten, which is an injustice because his poetry at its best has enduring qualities and his war poetry, though none of it written during his brief period of active service, was driven, like Wilfred Owen's, by an identification with the helpless conscript.

Michael Meyer, a powerful, stocky man who squares up to the lectern like an

old-time pugilist, read the poems in a gruff, driving baritone. It was a reading quickened and rendered that much more poignant by his own fond memories of a long-dead friend who had "an inner sanctum to which I couldn't penetrate".

It is three years since Sinclair-Stevenson launched its own poetry list, and the publication of four new titles was celebrated by a reading - also at the Poetry Society - this month. It was an eclectic occasion: the poet John Fuller read the last poems of his father (who died last year) with a dry, donnish restraint which seemed entirely appropriate to the material; casual philosophical reveries that explored such themes as the mysteries of the energies of art and the paradoxes of old age. These poems are the products of a mind taking wing after the third drink of the evening as dusk begins to settle over suburban Blackheath.

The best of Sinclair-Stevenson's new poets was undoubtedly William Scammell - who is scarcely a new poet at all, being 54 years old and having already published six collections. Scammell is a poet of wit and fixed intellectual convictions whose work encompasses politics, literature - and being a Lakesman, landscape poetry. Scammell looks boozey and disreputable; and has put all this broad experience of life to good use in his robust, inventive and iconoclastic verse.

■ Roy Fuller's *Last Poems* and William Scammell's *Piece Easy Pieces* are published by Sinclair-Stevenson at £14.99 and £7.99 respectively.

# Dashed good yarns

**M**ORRIS WEST does not tell stories. He spins dashed good yarns. His 28-volume, 60 million copy career has propelled a sequence of lean, brawny heroes under desert and ocean skies to wrestle with and to vanquish their moral adversaries. Forty years on the formula, which owes as much to Graham Greene as to Wilbur Smith, is as engaging as ever. *The Losers*, produced by the publishers to be his last book, shows the maturing of West's craft.

The setting is a sumptuous yacht in the unspoiled Mediterranean of the early 1950s. As to be expected, the cast of characters is larger than life: a haughty countess, a sadistic Irish-American millionaire, a Vatican financier. Into their intrigues plunges one Bryan de Courcy Cavanagh, a virile multilingual Australian late of the Pacific campaign. Cavanagh loses his innocence but wins the affections of the countess and the respect of Big Money. In the meantime the Old World proves itself irredeemably corrupt, willing to sell its soul for Yankee dollars. It is racy stuff, lucidly written and spiced by allusions to the Vatican's hand in securing the escape of Nazi war criminals and in promoting the plunder of the Italian coast for tourism.

The romance is less convincing, however, and so is the dialogue, which resonates oddly in Orson Wellesian mock-Irish.

Irrespective of who among the motley crew is speaking, the flourishes in the slick narrative mostly work well, giving a dreamy cadence to this grown man's fantasy. At other times, as when we are told that the ship "handled like a contented woman," one fears the wine dark sea is merely purple.

Such lapses are not to be found in Tim Pears's delightful, smooth flowing first novel *In the Place of Fallen Leaves*. Here the landscape is Devon, green and rolling though

scorched by the hot summer of 1984. The drought will not break and the schools are closed by a teachers' strike. For Alison, a 13-year-old farmgirl, time seems to have stopped, and even to slide backwards through three generations of her family's lives.

The characters peopling Alison's village become vehicles for an exploration of the different facets of love. For one brother it is a coldblooded hunt, for another pure intoxication. For the thoughtful village rector it comes as light from an unexpected source. For mother it is sheer endurance. From this small valley Pears uncovers passion, jealousy and betrayal. Gently evoking the daily toil of farm life, he punctuates it with moments of magic realist whimsy.

Reminiscent of Faulkner and Garcia Marquez, the writing retains a very English scale, closely observed and lyrical, never straining credulity. The West Country speech is skilfully rendered, and there is a wealth of description. One memorable passage sipping details a caesarian birth performed by the taciturn village gelder. If there is a flaw it is that Pears dabbles somewhat unconvincingly with Marquisian circularity. Overall, however, the book is a triumph. Jackets on subsequent editions, one imagines, will be well plastered with adjectives: sensitive, heartwarming, hallucinatory.

It is a very different voice that comes from Paula Marshall, warm, African-American, strident, polemical. Her seventh and latest book, *Daughters*, arrives loaded with praise from across the Atlantic, and with good reason. The novel is well written, its characters compellingly portrayed. Its subject is the central issue facing black Americans in the post civil rights era, which is no longer white racism but rather the question of identity.

Urra Mackenzie, the protagonist, stands between a rock and a hard place. The rock is the Caribbean island where she grew up and where her father is a politician whose ideals are increasingly compromised by the reality of dependence. The hard place is New York City, where she struggles to contribute to black advancement in the face of indifference and betrayal. She finds that courage can make a difference, but it is a lonely road.

The book is enlightening about the pain of being black and female in a hostile world. It is particularly good about Caribbean politics. There is a tendency to sentimentalise that speaks of overindulgence in the two PCs plaguing modern America: political correctness and the personal computer. Every touchstone of gender and race politics must, it seems, be cited, from rape to abortion to male infidelity to police harassment. And at 400 pages the book is excessively word processed.

Max Rodenbeck

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Next week's lecture will focus on Veronese's "Family of Darius" and the marriage of Christianity and appreciation of antiquity in the Renaissance. Lectures begin at 6.30 in the Sainsbury Wing. Cost per lecture is £15; tickets are available from the National Gallery, telephone 071-380-1771.

Patricia Morison

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## REGIONS

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## REGIONS

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**SUNDAY**

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much space, so Black tries for central tactics.

8 *exd5* Bc5 9 *Qd3* Qc7 10 *Nd4* Nhe6 11 *dxc5* 0-0 12 0-0 *bxc5* 13 Bg1!! An unusual retreat, to exploit Black's weak c5 and c6. Qc7 14 g3 Rd5 Bb7 15 Nef5 is also strong. 16 Nd6!! Resigns if Rxd3+ (*exb5* 16 *Qxd5+*) 16 Nxc7 Rxd1+ 17 Nxd1 Bxg1 18 Nxc5 wins on material.

No 973

A challenge to your chess

detection skills by R Turnbull (The Problemist 1993). This is the position after White's (not Black's) 8th move. Can you reconstruct the game so far?

*Solution Page XX*

**Leonard Barden**

## BRIDGE

return put the contract down.

South moaned about his bad luck — both finesses wrong — but he had only himself to blame for his failure. Let us replay the hand, together with better technique.

We allow East's heart queen to win the first trick, take the next heart and play the spade queen to deprive the danger hand of a possible entry. The king wins and West switches to diamond knave, but we are in full control.

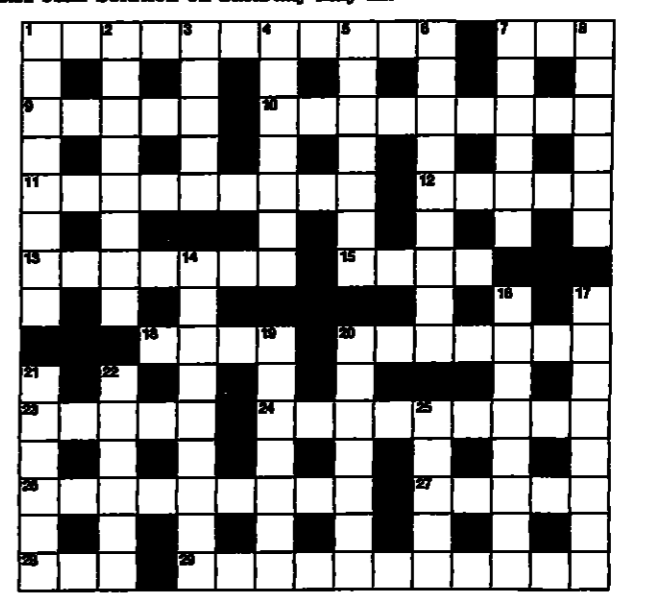
We win with the ace, cross to our spade ace and finesse the club queen. East can score his king of diamonds but we sail home with four clubs, two spades, two hearts and one diamond. Note the play of the spade queen. There is no point in finessing, even if we had the entries to do so. It does not gain a trick.

■ *Basic Acol*, by Ben Cohen and Rhoda Lederer, has been reissued by Collins Willow at \$4.95. The book covers the whole of Acol bidding. You will find the book very useful.

*E.P.C. Cotter*

## CROSSWORD

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**ACROSS**

1 Sparring wine in company with crazy past makes filling for timber (7,4)

7,9 One born to women in black has control of the forest! (8,5)

21 Piece of stone made by old leav-giver? (6)

22 Hypnotist in former times, mercifully (6)

25 Masque performed by musical company? (5)

*Solution to Puzzle No. 9, 144*

# RADIO

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**DOWN**

- 1 Yes, I'm sure (5)
- 2 Sort of prayer that be assented to? I'm not likely to object (8)
- 3 Strong man gives bird a short name (6)
- 4 'I'm turtles? It depends how big one's head is (7)
- 5 Work papers are a burden (7)
- 6 Painter of the Cross of Lorraine? (5)
- 7 Ken's Father, a humorist (5)
- 8 Remedy for going bust, but without solvex (3-3)
- 9 Just Athenian airs changed with seasons (9)
- 10 It is feared in cunning caption (8)
- 11 Does the hippopotamus finish as a pilot? (5,5)
- 12 Pushy person destroyed by her lust (7)
- 13 Gold coin I provide - additional ones outside (7)





IT SEEMS only yesterday that the former Home Secretary, Kenneth Baker, brought in the Criminal Justice Act. But now Kenneth Clarke, his successor is to alter two of that measure's key provisions.

The new system under which fines are means-tested will be neutered - no more £3,000 fines for well-to-do litter-droppers. The no less new injunction that magistrates should not take previous offences into account when deciding on sentencing will apparently be removed.

While the original legislation introducing means-tested fines was ill-thought out and most untidy, I think it was well-intentioned, as a way of preventing crime by a novel form of anti-middle class deterrence. But the law that prevented magistrates from treating recid-

## Off with their hands!

Dominic Lawson welcomes tougher sentences but says the law could go further

vists more harshly than the first-time offender, and which has rightly succumbed to criticism from the Lord Chief Justice, could never have been anything other than an attempt to reduce the prison population, and let the public take the consequences.

The legislation arose, not out of a desire to see crime properly punished, but to save the Home Office from the incident which its civil servants dread above anything else: a prison riot. Riots had been breaking out with increasing frequency, and the cause, it seemed to the Home Office, was overcrowding.

The rational answer was to build more prisons, but that is a long-term solution, and something

was needed in the short term to reduce the prison population.

What could be more natural than to impose conditions which would minimise sentences? Indeed, the policy has been a success: the growth in the prison population has been reversed. Unfortunately the rise in crime has continued, fuelled by the criminals' knowledge that the chances of condign punishment has been greatly reduced.

It was often joked in ministerial circles that the most difficult job in government was the one that Kenneth Baker had just had: nobody has more cause to laugh ruefully at that, than Kenneth Clarke. But it is not enough to revoke the most obviously loony aspects of the

Criminal Justice Act.

As Mrs Beeton might have said: first catch your criminal. To some extent tougher sentencing will lead to more criminals being caught. For the police, much of the satisfaction of their work comes from putting criminals away. The more severe the sentences, the greater the incentive for the police. The forces of law and order often do not press charges where they should be pressed, because they judge the work involved unlikely to be rewarded by the removal of the criminal from society.

In recent months we have been burgled, once in the country, once in London. On both occasions the only apparent action taken by the

police was to send my name and address to counselling agencies. Thus last week we received a letter which read: "We are sorry to hear that you have been a victim of crime. If you would like someone to visit you to talk through the experience, please get in touch with us".

We also received a letter from Rochester Row police station, which began: "I am sorry to hear that you have been a victim of crime... the crime is being investigated by an officer whose name is shown above." No name "appeared above", unless "Burglary Squad" is the name of an officer.

I suppose I should not sneer at attempts by the police to be "user-

friendly", and I suppose I should talk to the careers at the South Westminster Victims' Support Scheme if only to cheer them up by giving the impression that their services are not entirely useless. The only thing which would cheer me up is the thought that the intruder who broke into our house might be captured, and if he were captured, that he would be made very miserable for a long time.

I confess that having also, in the past fortnight, had my car twice broken into, my attitude to criminal justice has hardened. In the small hours, as I lie awake anticipating the sound of breaking glass, my mind wanders to Saudi Arabia, where persistent thieves can have their hands cut off and I speculate what would happen if we merged the Westminster parliamentary system with an Islamic code. Perhaps that is something for the next home secretary to consider.

Dominic Lawson is editor of *The Spectator*.

## Defence of the realm

Michael Thompson-Noel



TENNIS lessons. Chess lessons. My life at present is a whirlwind of instruction. Yesterday it was a chess lesson, one of a series that I and two friends are having to prepare ourselves

for the Nigel Short-Gary Kasparov world chess tussle in London in September. The two friends are: John Major, prime minister of Britain, and Queen Elizabeth II, head of the House of Windsor. Our instructor is Nigel Short himself. We meet in utmost secrecy.

Unusually, the Queen was accompanied by the Seven Dwarfs, her seven Welsh corgis, who are notorious, at Buckingham Palace, for saving the flunkies. But the Queen soon settled down. Before the lesson started she produced seven silver bowls into which she spooned caviar. The dwarfs gobbled it greedily and collapsed in a malevolent heap.

"That's put paid to them," she said. "Nigel - let us start. One must get away on time. There are more ructions brewing - more media allegations. Where will it all end? Not that one isn't injured. No *es para tanto*."

"Right-ho," said Nigel, whose own mental and physical preparation for his match against Kasparov the harbarian is proceeding smoothly. "Today I thought we'd study sacrificial play in the middle-game, especially sacrificial play aimed at destroying our opponent's defensive structure. Remember my golden rule: before launching any sort of attack, sacrificial or otherwise, always count the number of pieces you will be attacking with and try to ensure it exceeds the number of pieces your opponent will be defending with."

## HAWKS & HANDSAWS

Nigel said he would show us a game he played against Agdestein in 1987, involving the Greek bishop sacrifice. With grandmasterly finesse he set up the pieces and moved them at great speed, so that all we could see was a blur of pawns and bishops and cleverly skulking knights.

"Right," said Nigel. "This brings us to move 14. From here, play went: 14. Bxb7+, Kxb7; 15. Ng5+; Kxg6; 16. Qd3, Rf6d8. So how did play continue?"

John Major wriggled and frowned. "I must say, Nigel," he said, "that sacrificial play leaves me with feelings of considerable unease. It does not seem logical to throw away a perfectly stalwart piece when you are doing jolly well anyway and embark upon a course of action that is little short of reckless. It reminds me of politics. I am being urged at the present time to sacrifice Norman Lamont, my chancellor of the exchequer. But as Michael has pointed out, alone among his colleagues, Norman is a hero, a man of considerable stature. Why should I cast him out?"

The Queen trilled with merriment. "In one's own line of business," she said, "one gets accustomed to stratagems, especially mid-game sacrifices. You work to five-year terms. A monarch thinks in centuries. *Qui non proficit deficit*. Anyway, the answer to Nigel's little teaser is strikingly obvious. What follows must be: 17. Qh7+, Kf8; 18. f5..."

"Absolutely brilliant," said Nigel. "Exactly how it happened. Then I put the boot in. It was completely open house."

"Nigel!" exclaimed the Queen. "One wishes you hadn't said that. Completely open house. That is one's current strategem, one's sop to the anti-monarchists, but one would rather you didn't remind one. Can you imagine the mess and noise when Buckingham Palace is thrown open to the populace this summer? One is dreading it entirely. And what will they be gawking at? Just a load of art works, mainly dusty pictures. One is sending the dwarfs to Scotland. They are liable to go berserk."

I had been quiet until now, but I could not resist the opening. I said: I agree with the character in Barry Unsworth's novel, *Stone Virgin*, who says, in all seriousness, that great works of art are more important than life - that life can spawn more life, but that you can't spawn Gothic Madonnas. "Look at the floods in Venice in 1966, which triggered off countless restoration projects and set the money flowing. If it hadn't been Venice," says this character, "if there had only been people to worry about, what would anyone have done? I'll tell you. They would have sent a few food parcels and forgotten all about it."

The Queen smiled. She said: "Michael does go on." She revived the dwarfs with smelling salts and telephoned for her car and detective. The rest of us did the same. So ended our second lesson.

SPRING IS canting into summer and it is time to get in form for the greatest popular festival of the English season, the Epsom Derby on June 2. Where better to start than Warren Place, Newmarket?

Name: Henry Cecil. Age 50. Form: first outing 1969. Nine times champion trainer, twice Derby winner. Wayward as a colt but has trained on well. A stayer. Has first three ante-post Derby favourites, *Tenby*, *Commander in Chief*, *Armiger* (all owned by Khalid Abdullah, a Saudi prince).

Conformation: over 18 hands, long legs, small rump, easy gait.

Pedigree: direct descendant of William Cecil, Lord Burghley, chancellor to Queen Elizabeth I of England. Twin son of the Hon. Henry Cecil (killed in action in North Africa, aged 38) and Elizabeth Robays Burnett, daughter of 13th baronet of Lays (Crathes Castle).

Schooled: at Newmarket by trainer stepfather ("Uncle Cecil") Boyd-Rochfort. Sunningdale Prep (failed Eton entrance), crammer and Canford, Dorset. Nine O levels. Nearest university Cambridge (14 miles). First wife Julie is daughter of famed trainer Sir Noel Murless.

Outlook: soulful eye, Mephistophelean smile, the "Cecil nose". Bold, rakish, eccentric. Jilly Cooper-style hero. Looks genuine.



Colin Brown

Private View/Christian Tyler

## English thoroughbred shows his class

There were two Porsches in the drive when I drew up at Henry Cecil's house, a riot of flowers around the satellite dish on the front lawn and a kitchen table looking backwards on the coffee table.

Cecil can be flippant about himself but never about horsemanship. I asked him which he preferred.

"On the whole I find horses probably easier. I like people, but they can be disappointing. I think horses are very noble by comparison."

What does it mean to say that a horse is noble?

"If you know horses it's rather like a dog. I mean, if you've got a mean and miserable dog you would probably get the feeling it's miserable. You can tell a lot about a horse from his outlook - the way he looks and whether he's got a sort of good clean eye."

Outlook?

"People have a good face or a bad face. Do you trust a person with his eyes too close together? Ears are important in a person. There are people who use themselves properly when they walk and people who don't. People have good feet and bad feet, good limbs and bad limbs."

He added: "I never buy a horse with small ears because it's always ungenuine."

Meaning?

"They don't try."

Why should a horse with small ears not be a tryer?

"You tell me. It's a fact."

Do other people agree with you?

"I haven't asked them. But I've had a lot of horses with small ears and they've never been any good - wouldn't try. *Arkle* had very long ears, and *Mill Reef*. Conformation is very important."

You once said you judge a horse from behind, to see if it has the swagger of a beautiful girl, I prompted him.

"Yeah, a swagger... means they're putting their hocks underneath them. A lot of power comes from the hock."

Cecil speaks in small bursts, each ending on an interrogatory note with a barely audible "mmm?" or

"yeh?". He wants you to agree.

I said: I suppose you're not enough of a chauvinist to compare fillies to women, are you?

"Probably very similar. Very similar. They've all got a lot of character. They just take a little bit of understanding. When you have a good one they're very genuine. You can't beat a good filly. But you know, you can't push. If you've had a bad winter, cold spring, you might find they just don't come. You've just got to sit and wait and when the weather changes suddenly they sort of open up like flowers. If you force the pace they just go backwards."

The horticultural analogy is not an accident. Cecil loves his garden, specialising in old-fashioned roses which derive, like him, from Scottish briar. He can rhapsodise about a rare blue flower he found on the nearby Devil's Dyke.

Do successful trainers have green fingers, like gardeners?

"I can't judge other people. But I know a lot of my work is just instinct. I just sort of have a feeling about things."

In my limited experience horses are either stupid or neurotic. Cecil

would have none of it.

"Some can be highly-strung. Depends entirely how they're treated. If you treat them with respect and get their confidence you can eliminate a lot of that. They're not stupid. They never forget."

Are there any delinquents?

"It's amazing how they can come

they know when they're good, too."

Cecil's handling of horses is a matter of record. I asked him what he was like with people.

"I'm not a snob. I don't find I have any difficulty in socially mixing with anybody. I can deal with people. I've had to deal with them. I know what you can ask them, what

*Top trainer Henry Cecil can be flippant about himself but never about horsemanship. As Derby day draws near, he is looking like the front runner*

round. Now and again you get the odd horse which is bad-tempered. But I might have one out of 160 every two or three years. There are three things you need: patience, patience and patience."

Do you talk to your horses?

"I do in a sort of silly language like you do to a dog... I talk to my dogs in a ridiculous way. I crawl all over the floor with a *Bonzo* in my mouth. Horses like attention. Really good horses love attention. And

to expect."

Are you good at man-management?

"I like to think I am, yeh. I have a staff here which very seldom anybody leaves: all work well together, nobody's cracking a whip. I employ people for maybe seven, eight hours a day and after that their life's their own. We've all got to work, so let's enjoy it."

Are you a convert to the work ethic, I asked. You had a riotous

youth.

"Yeh. I was quite wild. My father was quite wild, from what I hear. I'm much more settled now. I mean, leopards don't change their spots, do they? I do like a little bit of fun, I like the funny side of things. But I'm not a very social person."

You're more grown-up now?

"I don't think I'll ever grow up. I've always got a wild streak in me. I don't want to grow up really. I rather like being sort of... village idiot now and again. I like people taking the mickey out of me actually. I like to be the slight buffoon, yeh? Another thing: I think it's an advantage in a lot of ways. You can sort of give that impression but underneath you're on a very good wicket, you're holding the cards. Are you much brighter than you let on?"

"I'm not a sort of intellectual, but I wouldn't say I'm stupid."

Though born with a silver-plated spoon this Henry is no Hooray. "I hate that sort of boring facade," he said. "I find it pathetic and uninteresting - characterless - the cavalry twills and club ties. I used to go racing in purple and yellow

siliness." It published a section of the code which showed what Americans are up against if they want to express themselves - a listener has only to infer that a direct injury is intended for the speaker to be judged guilty.

In Europe it is unlikely that one would be caught up in a semi-judicial enquiry as a result of shouting the names of Asian omen at one's colleagues. But then a European would have been in trouble had he opted for the proper American alternative available to Jacobowitz - merely threatening the alleged water buffaloes with an AK47.

The obsessive concern of the US is not, as is sometimes believed, with the rights of individuals, but with the rights of individuals as members of a class. In the US anyone can buy a rifle because there is thought to be a general right to own

guns. Those who do not own guns have, as such, no rights, however terrified they may be of their neighbours. This is because there is no recognised class of non-gun owners. In most of Europe the individual is by and large protected from gunmen because gun-owning is an exceptional right.

This gulf in attitudes accounts for the difference that exists between newspapers in Europe and the US. The latter are devoted to what one might call regulatory matters, to the arbitration of absurd conflicts, to the definition of an absolute right to free speech in a society which demands absolute protection from verbal injury, and to the endless insistence on "the rights of us."

No wonder people on \$250,000 a year see themselves as victims. No wonder people like David Koresh become significant figures.

James Morgan is economics correspondent of the BBC World Service.

As They Say in Europe/James Morgan

## Washington Post and water buffalogate

IT WAS a great relief to get back to the European papers after a week of the *Washington Post*.

On the east side of the Atlantic one finds awful drivel, lowest-common-denominator lubricity, bitter, partisan distortions, cheap abuse and fanatical commitment to point-less causes. US columnists try to scale some of these heights but end up merely driving hobby horses into the ground. Where Europe scores is in the lack of the mealy-mouthed high-mindedness that characterises the better sort of US newspaper and which makes even *The Independent* seem vulgar.

That became especially obvious to anybody who landed in Washington in the middle of the Gay Rights March a couple of weeks ago. It was hard to find anywhere to stay: one wondered if those who were able to occupy nearly all the rooms in \$200-a-night hotels wholly deserved the

large additions to federal spending they demanded.

This point could not have been made in *The Washington Post* which devoted two sympathetic pages to the march on the day of the event, and even more before and after.

Now the paper employs an "Ombudsman" to keep the journalists in line. This year's examiner of the paper's conscience is one Joann Byrd. A week after the March she wrote that the *Post* had done an inadequate job in covering it. Not all was bad: the paper had at least fully reported the views of those involved. "A story that has needed telling since the beginning of newspapers," I believe this to be a reference to the failure of the first Italian *Gazzetta* in 1560 to publish an account of "Michelangelo at home" in its "Lifestyle" section.

What the *Washington Post's* ombudsman had in mind then

emerged in a fascinating assembly of grammatical novelties and syntactical traffic jams. The paper had dealt with two aspects of the problem of being gay in America today, but - "there was a third story and uncharacteristically *The Post* did little with it. Gay rights is also a political and public policy story, a sociology story, a hard-news story of disagreement and discrimination, their sources and remedy... what we did not get was a straightforward status report on gays, nor the usual measures of the hurdles and the political environment in which this issue is being argued." It just goes to show, even in a two-page overview you may still not reach boredom's last frontier.

Another item in the *Post* last week recounted how the University of Pennsylvania has been shaken by a crisis which erupted when a student, Eden Jacobowitz, shouted "Shut up you water buffalo" at five

black female students who were taking part in a sorority celebration one night on the sidewalk below his window. He was therefore caught in the university's Speech Code which is designed to ensure nobody is ever offended again.

"Experts" were brought in to decide whether "water buffalo" had a history as a racial epithet, one faculty member arguing that the creature was a large black animal living in Africa. It is in fact an Asian brown animal. Jacobowitz explained that he had translated it from the Yiddish *beheima* which has no racial content. The importance of the matter lies partly in the fact that the President of Penn State, Sheldon Hackney, is President Clinton's choice to head the National Endowment of the Humanities. He is, needless to say, a supporter of the Speech Code.

To its credit the *Post* did head a subsequent editorial. "Speech code

siliness." It published a section of the code which showed what Americans are up against if they want to express themselves - a listener has only to infer that a direct injury is intended for the speaker to be judged guilty.

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